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SERVICES MARKETING

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UNIT – I

Definition – Service Economy – Evolution and growth of service sector – Nature and Scope of Services – Unique characteristics of services - Challenges and issues in Services Marketing.

UNIT – II

Assessing service market potential - Classification of services – Expanded marketing mix – Service marketing – Environment and trends – Service market segmentation, targeting and positioning.

UNIT – III

Service Life Cycle – New service development – Service Blue Printing – GAP's model of service quality – Measuring service quality – SERVQUAL – Service Quality function development.

UNIT – IV

Positioning of services – Designing service delivery System - Service Channel – Pricing of Services - methods – Service marketing triangle - Integrated Service marketing communication

UNIT – V

Service Marketing Strategies for health – Hospitality – Tourism – Financial – Logistics - Educational – Entertainment - public utility Services – case studies

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UNIT I

AN INTRODUCTION TO SERVICE

Services are an integral part of any economy and have become indispensable to urban life. Transport, telecommunications, utilities, water supply, garbage clean up education, health, financial institutions, tour operators have all become a part of everyday life.

United States and Canada have 73% and 67% of their GDP coming from services. Also countries like China and Russia have recognized the importance of services and came under the influences of service sectors.

India has come a long way in the services sector which presently constitutes about 60 percent of its economy. So now the citizens of the world find themselves living in an economy dominated by services.

But the Service Sector is not a new entity to the world economy. It has always existed in some form or other. In India, if we go by historical facts, we may come across transporters, money-lenders, doctors, midwives, and those who managed the inns.

Services fall into three broad categories

1. Pure Services like Physiotherapy, Counselling and Consultancy.
2. Combination of Services and goods like Restaurants, Retailing etc.
3. Service as a component of goods in the total marketing mix like after Sales Service, Service and Repair of Home appliances etc.

DEFINITION

A Service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership anything. Its production may or may not be tied to a physical product.

Services are the production of essentially intangible benefits and experience either alone or as part of a tangible product, through some form of exchange with the intention of satisfying the needs wants and desires of the consumers.

But Theodore Levitt, the management guru was of the opinion that there is no such thing as service industries. There are only industries where service components are greater or less than those of other industries and he stated that everybody is in the service industry.

But there are differences that are evident between goods and services and it imply that the marketing mixes and tools will also be different for their respective marketing.

The Importance and growth of services

There is a very close co-relation between the level of economic development in an economy and the strength of its service sector. An analysis of data compiled from International Labour Organisation (ILO) and Organization for Economic Co-operation and Development (OECD) shows the relationship between the per capita GDP and percentage of employment in the Service Sector.

Highly developed economics like USA, UK and Canada had a very high percentage of jobs in the Service Sectors as compared to less developed countries like Bangladesh and Mexico. Initially, in developed countries the manufacturing job was given first preference.

With the United States signing the (NAFTA) North American Free Trade Association manufacturing jobs shifted from Canada and United

States to Mexico. They did the outsourcing and produced the same high quality goods.

Over a decade, highly developed economics like UK, USA and Canada have consolidated their service workforce through outsourcing and enhanced their prosperity.

The big gainers are India, Ireland, Australia and Span etc. India, Ireland and Australia have made great strides in information technology enabled services like Business process outsourcing and Spain became a landmark tourism destination of the world. Services have multiplier effects on a nation's economy. Services have imparted productivity in the manufacturing and agricultural sectors. For example transportation and cold storage have improved the value of agricultural products.

Services have a job multiplier effect on local and national economics. For example, tourism has a job multiplier effect. A tourism development organisation will give jobs to restaurants, transporters, hoteliers, water and sport equipment manufacturers and managers, guides, Photographers, vendors etc.

Service was considered to be menial and below one's dignity. Service was considered to be always associated with women like midwifery, housekeeping, personal care, scavengers. garbage cleaners etc.

Early economists did not any much attention to the value of services. They considered services to be totally unproductive activity which do not add any value to the economy. A case in point is the respected economist Adam Smith he quoted that there are two types of production, those that had tangible output like agriculture and manufacturing and those that had no tangible output, like the efforts of armed forces, lawyers and doctors. During that time he described their contributions as "unproductive of any value" and his view sustained till the end of 19th century.

Also service provides were not considered to be professional also the people did not expect any professionalism from the service providers. So we need the meaning of the terms profession, professionals and professionalism.

A profession implies a means of earning one's livelihood like tailoring, retailing, fruit vending etc.

A professional is a person and certain norms and the person's conduct are regulated by a recognized body. The professional's education which qualifies him to pursue is also regulated by the body or organization which is most of the time a government or a Para government body.

Professionalism implies that a person is true to his word, profession and is efficient and effective and does not allow his emotions to govern his action. A professional attitude would imply that a person even if he dislikes his colleague and would still work in that team. Usually doctors after completing their house surgeons promise that they will provide medical facilities and assistance even to their enemies in the time of misfortune. Professionalism is a benchmark for best practices.

A Doctor is a professional while a cobbler is not. He is a qualified practitioner of medicine. His education, quality, norms and conduct as a practitioner are regulated by a recognized body. The Indian Medical Council, the American Medical Association and FRCS are the respective bodies for India, USA, and Great Britain. The IMA awards and regulates the licenses for Medical Colleges in India, but also arbitrates on ethics and other acceptable behaviour of doctors.

Few years back, Dr.Shreeram Lagoo was debarred by IMA from practicing medicine because he had modelled for Iodex a brand of pain reliever. A Doctor in his profession is not supposed to solicit patients and not to endorse any product.

The Bar Council regulates the legal fraternity and their profession. All India Council of Technical Education, New Delhi, and Department of Technical Education are some examples of regulatory bodies for Engineering and Mangement Institutions and education in India.

Cobblers or garage mechanics can be experts and highly skilled workmen but they are not considered professionals because no professional's body can vouch for the quality of their training nor govern the conduct of the services they provides.

The Scope of Service Industry

Some of the popular sectors that is included within the service industry are

Travel and Tourism

Hospital Industry

Hotels, Motels

Catering and Restaurant Industry

IT Enabled Services

Consultancy Services

Transportation Services- Airlines, Railways, Bus, Trucking, Shipping

Couriers, Cargo, Logistics

Leisure

Retailing

Banking

Insurance

Healthcare and Hospital Management

Communication and entertainment industry and

Financial Services.

There are a lot of challenges that service marketers face due to basic differences that prevails between service and goods. Some of the challenges faced by consultancy service providers are

- Understanding customer needs and their expectations from services.
- Tangiblizing the service offerings.
- Dealing with different types and varieties of people-internal as well as external customers and also delivery issues.
- Keeping promises made to customers.

The critical challenges are the measurement and maintaining of quality.

Gap Model for Service Quality

Gap model help a firm to improve service quality and to focus better on its strategies and service process.

This model is not only used to find and identify areas in service delivery and designs which lack quality also measures and monitor quality in service.

Quality in service is a perceived by the customer. As service is intangible the only way to measure quality in service is to measure the expectation of the customer before the receipt of service and measure his perception after the experience so the gap between the two is a measure of the service quality.

If the gap is large, the worse is the service quality. If the gap is narrow better will be the service quality of the firm, i.e. the firm is successful in meeting the customer's expectations.

Since the customer expectations keep raising upwards constantly, so must the quality of service should be upgraded

For example in the case of students,

1. The measurement of the expectation of the customers, before the service delivery (before admission) and
2. The measurement of perception of the experience after admission, during the two year course and after convocation.
3. Thus measuring the gap between the two.

The model professes two types of gaps

The customer Gap- the gap between customer expectations and customer perceptions in other words, is the service quality shortfall as seen by the customers.

So customers develop expectations from many sources- ranging from those that are company controlled to outside social influence.These form the bases of his reference to come for the service experience.

The customer's perception indicate the service as actually received for all practical purposes, since what we perceive is what is real to us. Perceptions are everything.

Company – Controlled external stimuli are

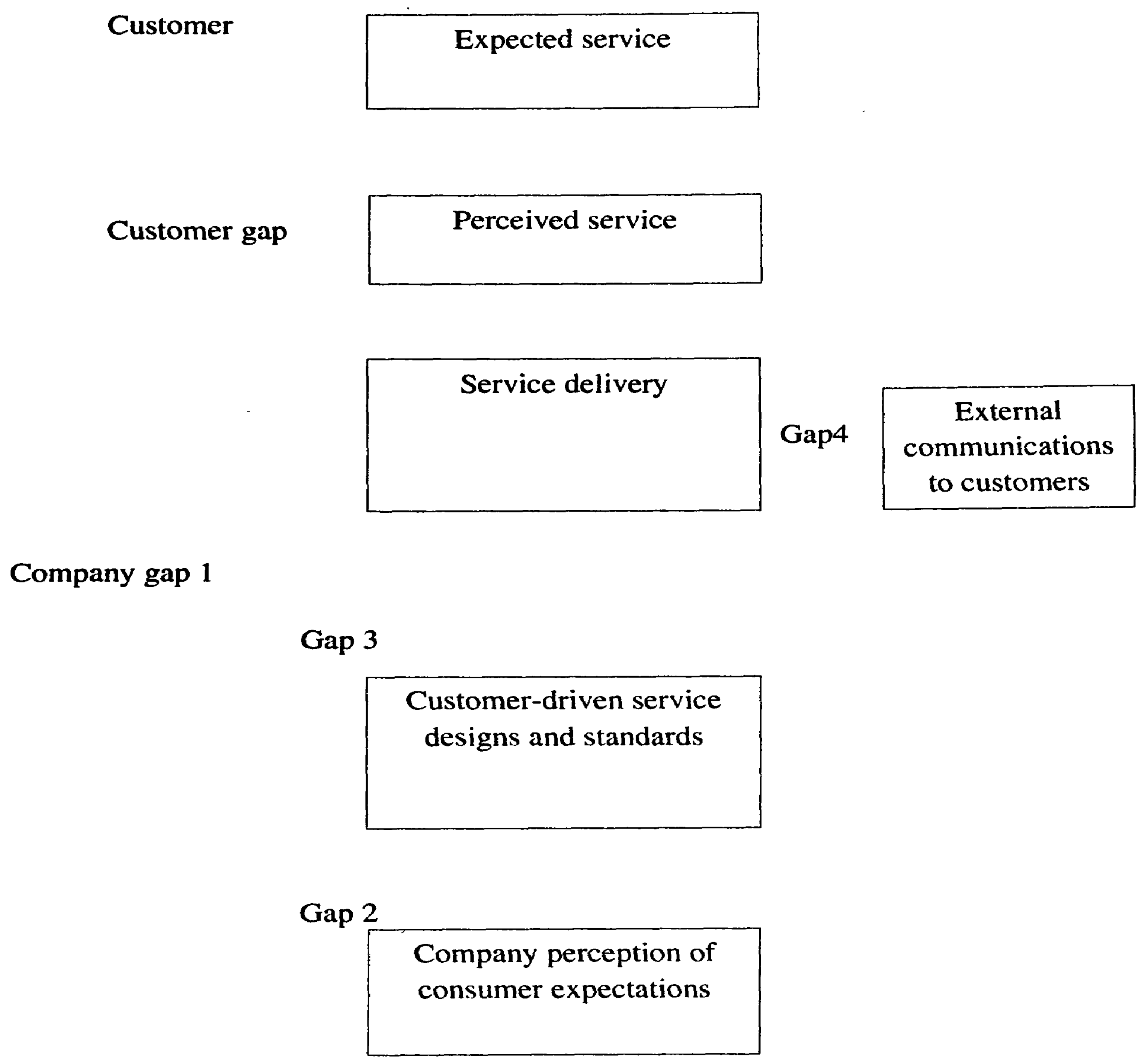
- Service product/ offer
- Price
- Advertising
- Promotions
- Displays and outlets etc.

Social influence as external stimuli is experienced through

- Word of mouth communications
- Reference groups

Other influences of expectations are personal needs and past experience of the customer.

Gaps model of service quality



The customer gap indicates the different between actual performance and the customer's preparation of service.

There is a lot of subjective judgementmade by customers.

Last experience may prejudice them and change their estimation of quality.

For example, a customer is satisfied with a certain restaurant but his last experience those would leave him better experience it would be

because of a new waiter. So this one incident may wash away his previous satisfied experience at one moment.

Service quality is all about the response of an organization to meet the customer's expectations. The performance of service is measured by the perceived service quality.

Quality of service has two components. Technical Quality is the end result of the service operation process. Functional quality is about the process.

Concerning the interaction between the customer and service provider, every service organization would be desirous of closing the gap between what is expected and what the customer has received.

These two quality factors have a heavy influence into the service process.

Any service organization will be serious of closing the gap between what is expected and what the customer has received. This is absolutely necessary to build a long term relationship with the customer and to retain them.

In order to close the customer gap, another type of gap the provider gap, has to be closed.

The Provider Gap (Company gap)

There are four provider gaps and the sum total are the cause of the customer gap. So these are the short falls within the service firm. So to close the customer gap, the provider gap or also known as the company gap has to be bridged. The four provider gap is.

Gap 1= Customer expectation- management perception gap.

Gap 2= Management perception –Service quality expectation gap.

Gap3= Service quality Specification- Service delivery gap.

Gap 4= Service delivery- external communications to customer.

Gap 1= Customer expectation- management perception gap

It is the inability of top management to perceive what the customer wants and is the main reason why a service firm cannot meet a customer expectation.

Here the company is blinded by ignorance, negligence.

Some reasons why Gap 1 occur are

- Inadequate marketing research
- Lack of upward communication
- Insufficient focus on relationship building (don't care attitude)

Gap 2= Management perception –Service quality expectation gap

This gap is created in the design process of the service offer and lying down of specifications for service quality during service transactions.

So this gap arises during the translation of management's perception of customer-expectation into design specifications.

Managers will set the specifications for service quality on the basis of what they believe the requirements of the customers. This is a very dangerous pre assumption

The firm even if it has crystal- clear knowledge and understanding of the customer's expectations, there can be a scope for misunderstanding and this can land to wrong specifications, service designs and standards.

For example. A bank believes that customer friendly interaction is what the customer's prefer, but everything will be based on computerised thatare impersonal and neutral. There is no human contact to support the concept of friendliness.

Some reasons why Gap 2 occurs are

- Unsystematic new service process
- Failure to connect service design to service positioning
- Lack of customer- defined service standards
- Absence of a formal process of setting service quality goal

Gap3 = Service quality Specification- Service delivery gap

This gap occurs when there is deviation from service standards specified and actually delivered to the customers.

This occurs in all public sector institutions be they be banks, insurance companies, hotels, travel agencies, hospitals or any such.

Here the management's perception and service design standards might be accurate and perfect. But if the interacting service provider during service delivery falls short of the standards specified, the customer will get an impression of poorly performing firm.

So this should be rectified by the firm that is heavily dependent on people in performing the last transaction.

For example Public Sector Banks might have the best of design specifications set by Reserve Bank of India. Yet late- coming staff, corrupt employees would bring large gap in quality.

Some of the reasons for Gap-3 are

- Ineffective recruitment , role ambiguity
- Role conflict
- Lack of empowerment, control and poor teamwork
- Failure to match supply and demand
- Channel conflict etc.

Gap 4= Service delivery- external communications to customer

This is essentially a communication gap. The gap is the difference between service delivery intention and capability and what is being communicated to the customers.

An-over-hyped communication raises the expectation of the customer so that is difficult for the firm to meet the expectation and there would inevitably be a shortfall.

The tragedy is customers would have been satisfied without the hype. But due to this hype they go back with memories of disappointment and are actually dissatisfied. This is due to the proper and inadequate communication from the firm.

For instance a TV broadcaster would announce a certain programme say an interview with a cricketer to be broadcast at a certain slot and they would fail to do so at that hour- creating huge disappointment. The viewers would curse and would not forgive the television channel despite an apology.

The causes of Group-4 are

- Lack of cohesiveness in marketing communications.
- Absence of strong internal marketing programme not able to meet customer's expectations through communications.
- Over- promising in Advertising and Personal selling.
- Inadequate horizontal communication between sales and operations.
- Differences in policies and procedure across branches.

After examining ways and means of measuring service quality more important is to establish relationship between service quality and marketing.

By maintaining the quality of service we can retain the customers with reduced cost, enhance customer satisfaction and customer loyalty by getting profitability.

The profit impact of market strategies research conducted by Strategic planning Institute shows that customer perceived quality is one of the most important variables for profitability and Return on Investment.

The customer gap is caused by the totality of all theprovider Gaps.

The Gap model help a market to locate service failures, isolate them, measure their intensity and then attempt service recoveries. It helps to a great extent to overcome all those drawbacks that service marketing with unique characteristics like intangibility, variability and inseparability.

I CLASSIFICATION OF SERVICE INDUSTRIES

The different ways the services are classified

This classification helps in understanding the services more for their marketing and management.

This classification helps the managers understand the service offer, the unique delivery process, and the common problem and accordingly rectify them and find suitable solutions.

The five most popular waysis.

(A) End-User

We have three types of end –user.

(1) Individual consumers as an end-user.

Services are consumed by individuals. Some examples are leisure, personal finance, packaged holyday tour etc.

If there is a possibility of branding, there is tremendous scope of enlarging the geographical area through franchising.

(2) Business –to-business end users

This is that one business will seek services from another business (eg) When Tata Steel asked the advertising agency to design its advertising campaigns and when Infosys asked the accounting firm to certify its accounts.

(3) Industrial end - users

These end-users of services are plant and factories. Industrial users require very unique services that are highly technical.

ONGC requires for its drilling rigs service as maintenance, repair and operational from ESSAR Group.

Godrej Housing, Real Estate Company requires services from the pest control company. Many Industries require assistance from municipal corporation for garbage clean up and maintenance.

Project consultancy

We can classify consultancy services by the degree of experience required to do the service transaction by the service providers.

We have two types.

(1) Highly Professional Services

Technical Consultants like TCS accounting firms, Hospital and Law and Firms who have qualified from recognized colleges and practice in courses.

(2) Non- Professional

Certain services which include Cobblers, Tailors, Mason, Garbage cleaners can be categorized as non- professional.

(c) Degree of Tangibility

Services are inherently intangible that a consumer cannot touch, feel or see a service. So service marketers have nowadays added more features to differentiate their service offer from that of other service providers. So the core benefit may be intangible but the differentiating features are tangible.

(Eg) A housing finance company will offer a free accident insurance.

A bank may give away a key chain, calendar or a diary with its new deposit schemes.

Highly Tangible Service

Some goals are tangible and are very easy to evaluate by the consumer like fabrics, jewellery, a House etc. These ranges of offers have different qualities and the customer seeks these qualities. Customers know exactly what they want and look for the desired feature in the offer.

Thus an apartment hunter would look for a 2- bed room- hall-kitchen of 900 square feet or a lady may look for a specific design of 23- carat bangle. Another person will look for wooden materials for furniture.

So marketer displays the search quality features and makes it easier for customers to get details or access. If the customers find it difficult to get the desired information they may go for a rival product where there is easier access to information.

But there are also many offers which are combination of goods and services. The Travel and Tourism Sector is a good example. It is intangible yet there are tangible components like Hotel Rooms, Restaurant Food, and Souvenir etc. These offers give the Quality of experience.

So the marketer has to concentrate on edifying the experience of the consumer so that the consumer should go back with pleasant memories and should have a rich delightful experience to talk at home.

So Disney has been very successful in concentrating on enriching the experience of the visitors.

Some services have Credence Qualities. There will be no tangible features for the customer to search for. So here the reputation becomes the dominant factor.

Highly Intangible service

A person will choose an advocate who has a reputation for winning majority of court case. A Patient would choose his Surgeon on the basis of his reputation. Lap-tops, mobiles and TV are given for repair on the basis of the reputation of the serviceman. So the service provider should be very careful in highlighting his credibility to the public.

Orientation towards profit

This classifies service by the degree of orientation towards profit that the service provider might have. Accordingly, there are two types of service Industry.

Commercially Oriented Organisations

These service firms exist to make profit. They are owned both by the Government as well as private enterprises. Example Indian Airlines, Ashok Hotel Group, ICICI Bank, Apollo Hospital etc.,

Non-Profit Organization

There are also many service organizations that are not for profit.

(Eg)Public Municipal Parks, Public Libraries etc. These organizations carry out their service with the Social benefit in mind.

Level of interaction with customers

This is based on the type of contact the service providers have with their customers.

(i) High Contact

Here Service providers have high degree of contact with the customers. For example, Teaching, Counselling, Surgery etc.

(ii) Low Contact

Here service providers interact very little with customers. It is the machines that do the interaction.

(Eg) Automated teller machines

Web based services

Coin- operated weighing machine installed in railway station

Characteristics of services

Service Industry has some unique characteristics which differentiate it from the goods. So the managers of service and marketing of services becomes different and difficult.

And the service marketer should examine the characteristics, meaning and implication.

And certain unique characteristics are drawbacks for marketing the service.

INTANGIBILITY

A customer cannot see, touch or feel the service product.

Due to this it becomes very difficult for the customer to believe the service offer and the concept, the main utility and the peripheral benefits of the service.

Certainly the customer will believe what he can see for himself and will be satisfied. It is easy for a customer to evaluate a read made apartment than a blueprint of the project.

He will not be able to imagine how the house will have the evaluation the interiors and the environment and living conditions of the locality. Also he will not have the imagination to visualize the developments of the surroundings area after five years.

This is the reason that all established flat promoters design sample flats and display scale models in their offices for the complete benefit of potential purchasers.

But a Salesman of time-sharing resorts or insurance products would find it difficult to convince the customer about the offer-mostly due to the latter's inability to imagine the offer features and its benefits. This becomes very difficult for the marketer to be more confident so showing a film or video promotion is one way of convincing a prospect. So mostly service offer takes the form of concept selling

Customers are forced to be highly involved in the purchasing process. High information search and goes through all the steps of the decision-making process.

Also there is no scope of make impulse purchase decision as there are no visual images and the touch and feel factor. He cannot measure its features for verification or its quality.

The absence of tangible features avoids the measurement for verification. No stocks are possible to measure the delivery quality since it is produced and consumed at the same time.

Intangibility in service leaves no scope for possession only the experience he can get. It is also difficult to convince the customer

that the price of the service is right. Always the customer will be of the opinion that it is overpriced.

PERISHABILITY

Perishability is the second unique characteristic of the service industry like goods services cannot be stored. It have to be transacted during the given specified time, If not the service offer loses its value. Service revenue can never be recovered with the hope of feature sales. The element of opportunity loss occurs.

In the case of goods, if there are no sales, goods can be stored with the hope that they could be sold the next time or next day, there is a scope for delayed sales, the item will not perish only in case of expiry date marked medicine. So this perishability factor of service implies that there can never be delayed sales so it is produced and consumed at the same time.

A ship will continue to sail even if few berths remain unsold. A flight of British Airways is supposed to take off at 9.00 A.M. and only 400 of the 500 seats have been sold. It will take off at specified time. A movie show is cinema theatre and a business school follow the same strategy.

VARIABILITY OR HETEROGENITY

The service Industry suffers from a curious characteristics- variability that greatly affects its offer. Service offer is never consistent in its quality and delivery.

The same service offer is never delivered in the same way to the same customers across two different time periods. Also service delivery has different quality when delivered from two different places.

By its nature it can never be identical, repeatable experience every time. It is impossible that he or she will get the same quality of service experience across the different centers of the same service

institution. This is a great challenge faced by the Mc Dowell, KFC Pizza Hut, and other Fast food restaurants.

A customer might get a different quality of service from two different branches of the same banks. A customer of a bank will never get the same kind of service, like cash withdrawal or bank locker operations of same employees of even the same bank or branch one employee will be friendly and helpful and speak well while the other will be bored and uninterested to serve well and the other will be ill-tempered.

A member of a library meets the librarian every day. But the same librarian could behave differently with the same man on different days. The quality of the service would depend upon the librarian's mood and other experience and encounters. It is also possible that a nasty encounter with another member would have ruined the cheerful mood of the librarian and this could influence his behaviour with the next customer.

Service cannot be standardized or made homogeneous. Services are provided by human beings and are for human beings. The difference and inconsistency of service delivery by the provider is due to all the reasons like different educational and experience backgrounds, different levels of skills and aptitude, different attitude.

It also depends on the morphology (Background) of the other player the customer. The customer's education, training, attitude, mode and personality greatly affect the quality of transaction.

INSEPARABILITY

The service provider and service receiver, both have to be present during the time and place of service delivery. Even if one of them is absent the service delivery will not take place.

During surgery, both the surgeon as well as the patient should be present either the surgery does not take place or performed by some

other surgeon if necessary or if the patient does not turn up after appointment, the doctor is left with a loss in earning. In the US, dentists bill patients even if the latter (patients) miss their appointments.

A group of tourists are waiting for their flight. The non-arrival of the Aircraft completely collapsed the tourist'sitinery ((tour plan)

So the Airline focus is to bring the service provider and service receiver under one roof.

So no replicas and the service provider can only be in one place at a time. The inseparability factor ties him down to one transaction at a time. Opportunity lost- the earning capacity of the service provider becomes limited as he can be only in one place at a time even if he works 24 hours a day. Thus the service providers like Doctors, Surgeons, Psychiatrists, Physiotherapists, Teachers have hiked their remuneration over years, factoring in the cost of lost opportunities into the pricing.

SERVICE QUALITY AND SERVICE MARKETING.

In Services, Marketing, and Operations overlap, so we can imply Quality Service by management of all service marketing mixes.

Quality in service has two viewpoints, internal and external to the service firm.

Internal quality is all about the entire service delivery process from concept/ consumption and all about conformance and compliance to design standards. This can be controlled by the service firm. External quality is about the customer's perception and should be measured from that perspective.

Quality is "the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs"

Dimensions of Service Quality

Eight dimensions of quality were identified and are given below.

(1) Performance: Every product is supposed to deliver benefits and the measure of its quality is performance of the offer. A dish washer, which can clean plates completely and quickly would be a performance measure

(2) Features: Features are in addition to the core product, which do not come as standard features, but as add-ons. An automobile have features like Back viper, Body colour bumper, Italian leather seats, side door beadings, Two side mirrors etc. we can fit this or have this accessories or remove it.

(3) Reliability: This is a measure of the degree of probability of the product delivering what had been promised.

(4) Conformance: Delivery quality meeting design standards.

As per the designs and standards of service, it should be delivered as per the specification to meet quality.

(5) Durability: The measure of the length of time that a product can deliver benefits, without deterioration.

(6) Serviceability: If the product can be repaired with ease and speed, it is a measure of quality. It includes the behavioural aspect of service personnel, their politeness etc.

(7) Aesthetics: This is a measure of the products look, design, touch and feel.

(8) Perceived Quality: Consumers develop a perception due to company- controlled stimulus like advertising, publicity and brand promotion and social effects like word- of – mouth.

Parasuraman has also identified five dimensions with which consumers judge services.

(1) Reliability: The service should be performed with dependability as per its promise.

(2) Responsiveness: Represents the attitude of the service provider to be willing to provide service. Also their sensitivity as well as timeliness in responding to customer requests.

(3) Assurance: This relates to knowledge skill and competence of the service providers, also indicates their ability to generate trust and faith and also capability in service delivery with politeness and consideration.

(4) Empathy: This relates to the caring feeling as well as the ability to give personalised service.

(5) Tangible: Measures of the effectiveness of the physical evidence of the service provider like design layout and facilities.

By these dimensions they framed a 22- item questionnaire called Service quality and measured the service quality.

Data gathered through a service quality survey can be used for a variety of purpose. The average gap score between customers's perception and expectation for each service attitude is determined.

A company's service quality along each of the 5 service quality dimensions is assessed. Customer's expectation and perceptions over time are measured.

A company's service quality scores are compared against those of competitors. Customer segments that differ in their assessment are analysed.

This service quality dimensions branched into many studies focusing on service quality assessment and is used all over the world in several industries. Service quality has been productively used for measuring service quality in commercial as well as gas and electric utility company, hospital, bank, fast food and education.

Internal service quality in one department or division of a company is assessed and compared with other departments within the same company.

Expanded Marketing mix for services

Basic concept in marketing is the marketing mix. Traditional marketing mix is composed of the four 'p' namely the Product, Price, Place (Distribution), and Promotion. In addition to the traditional four p's marketing of service include People, Physical evidence and Process.

1) People

All human actors who play a part in service delivery and thus influence the buyer's perception namely the firm's personnel, the customer and other customers in the service environment.

All human actors participating in the delivery of service provide clues to the customer's regarding the nature of service itself.

How the people are dressed, their personnel appearance and their attitudes and behaviour all influence the customer's perception of the service. The service provider or contact person can be very important. Some service such as consulting, counselling, teaching, the provider is the service.

In other case the contact person may play a relatively small part in service delivery for instance, a telephone installer.

2) Physical evidence

This refers to the environment in which the services are delivered and where the firm and customer interact and any tangible components that facilitate performance or communication of the service.

The physical evidence of service include all the tangible representation of the services such as broachers, letter heads, business cards, report formats and equipments.

3) Process

This includes the actual producers, mechanisms and the flow of activities by which the service is delivered the service delivery and operating system.

The actual delivery steps the customer experience or the operational flow of the service also give customers the evidence on which to judge the service. Some service is very complex, requiring the customer to follow a complicated and extensive series of action to complete the process.

SERVICE MARKET POTENTIAL

Many manufacturing companies have realised the potential market in service sectors and transformed the business to service. They differentiate it from their competitors to gain long- term competitive advantage.

So service business will stay a long term and will continue to influence other business around the world.

Day by day we can see companies moving from product focus to service focus.

We can have the IBM as a universal example. We can quote the world's largest service business as Disney, Citibank, American Express, AT&T, Fedex,and Marriott's.

Previously people all over the world know that IBM and General Electric are the two Corporations better known for their products rather than their services.

Initially it performed services only to support sales of IBM products. Then in the 90's IBM recognised services as its- co- business.

It entered into education, systems integration, networking, and it built renowned brands as IBM Global Service.

Similarly General Electric has also transformed from goal dominant to Service dominant as it has aggressively diversified its business from engineering to medical, financial, media and consulting service.

Now GE's vision is to be a global service company to render high-quality services.

The leading manufacturers and suppliers like Johnson and Johnson health care products offer consultancy services to their medical clients by this they develop broader deeper and more strategic relationship with the customers and in turn they got good business.

These companies also recruited MBA graduates skilled in service Marketing and Management. This transformation happens now in advanced economics as it generates huge resources and profits.

Manufactures find difficult to differentiate their products, increase their profit margins. But in S-business they have many forms of differentiation and can achieve more margins. Converting and expanding a product based company to service based company is more difficult. There are enormous practical difficulties.

For example we can take the case of Unilever as Hindustan Unilever Limited. It is a European based consumer food giant. It recently launched a business of consultancy in food safety.

Mostly in manufacturing business the initial investment will be heavy compared to service business the investment is small.

So these companies sense that customers with full satisfaction and delight will be beneficial because bad customer service will have high negative effect. It may lose current customers and discourage potential customers.

We have to retain customers because finding new customers is cost effective when compared to customer retention.

To get service customer relationship marketing is a vital one. The CRM involves possible steps to retain customers. Customer relationship provides the opportunity to identify area for improvement and advancement.

When a customer interacts with the service provider he gets some data and feedback.

Marketing Philosophies followed by Service Marketer

i. Create Customers, First task of Service Marketer is to discover customers. Customer acquisition is most difficult and expensive.

ii. Customer education of service concept. Persuade the customer to experience the service lies on the ability of the Service Marketer.

iii. To create customers, the service marketer has to be in touch with the environment, this enable him to recognise and take advantage of opportunities and convert a potential customer to actual customer.

It is six times more expensive to create a customer than to retain him.

1. Keep customers:-

If a marketer is not able to retain his customer after spending lot of investment in time and monetary resource, it is great loss for the service company.

Therefore he should take every necessary step to retain potential customers.

Customer retention implies that the service firm must minimise or avoid threats to its existing customers.

He should minimize threats from competition or changing customer preference.

2. Profitable Customers:-

Customers who have the potential to generate revenues more than the service delivery cost.

Such profitable customers should be acquired retained and developed to continuously contribute to service firm's revenue.

Service Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

Service Marketer is thus a facilitator helping individuals and organizations to satisfy their needs and in the process enabling his service firm to achieve its own goal.

Service Marketing Activities are Analysis, Strategy, Tactics and Management.

Analysis:-

Services Management is all about analysing the customer, his needs, wants, and desires- using this information we can design service delivery to satisfy him.

The service offer will have features that are intangible (experiences, reputation, guarantor, etc.) and tangible (colour, shape and size). The service is then delivered in such a unique way that is much better than the competitor's.

It is not enough for a BPO- a consultant to be good, but he has to be much better than the competitor.

Analysis activities in SM consists of the following

(a) Environment Analysis: - is used to identify and analyse the forces that surround the service firm and the consumer.

(b) Studies the buyer behaviour to enable service firm to know the reason behind consumer decisions. This analysis also understands the decision making process, monitoring, personality and attitude which influence decisions.

Marketing research Analysis:-

Process of collecting data on environment and market-and translating them into information which can be used by marketers to achieve better quality decisions.

In Marketing Research Analysis, information needs are identical. Data is collected systematically using tools and other sources.

STRATEGY- Strategy comes from Greek word Stratos meaning the act of war as performed by the Generals. Most core concept of Marketing- early concepts and theories, of management- has been taken from army and war.

Marketing can be considered as a civilised form warfare in which most battles are won with ideas and disciplined thinking.

Strategy for a market imply a place of action, usually long term comprehensive in concept and affects the whole organization as well as the market.

In service marketing, strategy takes the form of the Target marketing which consists of Market segmentation, Targeting and positioning.

TACTICS: - are tools used by some to active his strategic goals – Tactics are different plans of action having a smaller operation. This tactical plan is made by the managers who devise them.

In service marketing, the tactical tools used are the variable marketing like service offer, pricing, promotion, place, people, physical evidence, process.

MANGEMENT: - After Analysis tactics, the service marketer focuses on management, which is the process of using inputs. His human resource to derive output of service.

Process of management has many functions like planning, organising, staffing, contributions leading and controlling. The SM is then ready to manage his firm and market his offer.

Service marketing concept

There are many ways and concepts of doing business in services.

i. **Product Concept:-** The service provider concentrates only on the offer, its design and to make it superior to meet the competition. Through this he can attract customers.
ii. **Production concept: -** The service provider focus on service production or the process- process makes use all its resource optimally with efficiency..
iii. **Selling Concept: -** The service provider's strength lies on his sales force and other skills, Insurance companies grace depend on personal selling method.
iv. **Social Concept: -** The orientation of the service firm is not for profit but for the general benefit of the Society like the Post card of Indian Post Office.

Marketing Concept:-

All activities of the service firm are performed with the customers in mind, the need, ward all decisions or analysed he then designs his service offer.

The entire energy of a is then channelled preparing using it's namely. Tour operator is a good example for designing holidays prepares keeping on customer on mind includes demand, tour place, food etc.

Significance of Service Marketing

Why it is important to study ábout service marketing, service quality and management difference between services and goals. Many forces have let to the growth of service marketing many industries, companies and individuals have defined the scope, concepts, framework and strategies adopted in services. So the field of service marketing and management has evolved as the result of these combined forces.

First service marketing concepts and strategies developed in response to the tremendous growth of service industries resulted in their increased importance in world economics there was billions of trade surplus from service. World class providers of service together with small service companies are exploring and importing information, knowledge, creativity and technology that the present world needs.

Growing market for services paved the way for service marketing. Demand for services marketing concepts has come from the deregulated industries and professional services.

In the past several decades many large service industries including Airlines, Banking, Telecommunication and Transport have been deregulated by the governments. Similarly this deregulation measure has been taken place in many elect countries.

So the marketing decisions and activities were tightly controlled by the Government. Until 1978 every marketing activity of service industries were determined and monitored by the Government. During that time Airlines was given some priority to take reservations, some private agencies tool the reservation of air ticketing activities. So they came to know about the potential in the Airline Industry. This further accelerated the need for Service Marketing.

Providers of professional avoided using the word marketing. But now they are aggressively advertising their services. They do this to strengthen their position among the growing number of service providers.

Marketing of service in entirely different from Goods Marketing. People is service realized the Marketing and management of services prevented many problematic issues and challenges. They faced dilemmas in marketing services and people who do not have experience in services marketing experienced lot of problems.

Service marketer realised this problem and began to work with service disciplines with academics and several global service companies and academics people developed marketing practices to services around the world. Service marketing became the integral part of and service provider.

Many frameworks, concepts and strategies developed to address the fact that Service Marketing is different.In the upcoming years new trends in service also will accelerate the need for service marketing concepts and tools.

Marketing of services leads to high level of expectation among customers. But many instances show the decline in customer satisfaction.

When many companies are in the same service business, they take some profits from certain segment of customers and sometimes the same customers are getting less service. Service companies now increasingly use the self-service and technology based service since there is no human interaction they are less satisfied.

Purely technology based services like ATM, Internet based services have many failures and designed systems. Customers' expectations are higher because of excellent service they receive from some companies. So they expect the same from all and are frequently disappointed.

Also the competitive job markets results in less- skilled people talented people leave for better opportunities. Many companies fail to provide timing compensation and support to deliver quality service.

Delivery consistent, high- quality service is not at all an easy task, yet many companies promise it.

Service Models

We have some powerful service model- governs service process and marketing

They are

(a) The service Triangle Management Model
(b) Molecular and Servuction Model
(c) Service Triangle Marketing Model

These models are implemented for service marketing and Management.

(a) The Service Triangle Management Model

At present reduction are taking place in service industry.

We have two models in STMM that change the service industry today.

Industrial Management Model: is an approach to organize firm of focus on revenues and operating cost- ignores role of personnel in generating customer satisfaction and sustained profits. Practised used extensively manufacturing but not practised by many service organizations.

Firms that practise this model believe that the factors that bring revenue are advertising sales promotion, accessibility, location and distribution.

To believe the cost drivers are the service personal, process, operations and these should be controlled.

The call centres that sprout to every corner all over India today. They do not even provide the basic hygiene factor for their employees even ventilation and good work environment. To get clients and projects they cut cost and control expenses.

This model is followed in organization where the employees are indifferent, not very skilled; do not have the right attitude and motivation towards work. They depend on automation and technology. So they give less importance to the service personnel.

Market- Focused Management Model

Focused on firms that encourages the firm's service delivery system and proposes that firm shall be supportive to service personnel who serve customers and interact with them.

Non emphasis is given to the frontline employees –support in the form of equipment, office space (hygiene factors), Moral support, motivation, initiatives, career growth and money. So service oriented firms follow this models.

This model is based on service Triangle Framework. This depicts the relationship among three groups of service organizations.

The framework has the following six relationships

(a) The Service Firm's strategy must be communicated to its customers.

This would appraise the customers about the Firm's service product, in distinguishing features. Also the commitment for delivery is necessary.

(b) Service Strategy also needs to be communicated to the firm's employees.

This will ensure transparency; eliminate misunderstanding and sincerity of commitment at management levels.

IDBI educates its officers, chartered partners like share brokers and investment consultant about the bonds, its features and benefits.

(c) Consistency in service strategy and systems that are developed to run the day to day operations to achieve the strategic goal.

Systems should be designed only after the service strategy becomes clear and agreed on.

The systems can greatly guide the service transaction which affects the feeling of the customers which would lead to their satisfaction.

Thomas Cook a tour operator has many branches all over a country. The tour package may have itinerary plans.

But it should set up systems to carry out the strategy else there would be confusion in all the branches and duplication of job will be done in tariff calculation, repeat handling of same enquiries in all the branches etc.

(d) Impact of organised system son customers

This will have great influence in the service experience. Suppose the tour operator Thomas Cook, the organizational systems are faulty, like the communication to the tourist line tour plan, if the employee in Thomas Cook not aware of the latest currency exchanges or hotel room tariff- the customers is discouraged and leaves the organization with dissatisfaction.

(e) The importance of organisational systems and employee efforts.

Rules and regulations should aid an employee to give his best service; it should not disturb or be an obstacle in his service delivery.

Employee should be given freedom to take responsibility and realise the resource

Rules and regulation should empower the employees to give his best service; it should or be an obstacle in his delivery. Employee should be given freedom to take responsibility and realise the resource. Rules and regulations should empower the employee inside an organization.

(f) Interaction between the customer and service provider

This interaction gives the rise to service encounters. Also called the moments of truth. The quality of these interactions is the source of customer satisfaction.

If an insurance company advertises itself as very modern, high tec and big and has many products to offer, but if the quality of transaction with the customer's is not pleasant the customer will have negative perception which measures the quality of insurance service of the company.

Moment of truth gives due importance to the provider in the entire area of service marketing. When a company have a service product it communicates its promise externally to the customers and to internal customers or the front office personnel. It is only the providers who finally keep the promise and interacts with the customers.

A Bank's top management decides to modernise itself to face the challenge in the new competitive environment. It invests in ATM's, Computers, and Interiors. This will prove useless if the employees are not trained to be courteous and efficient.

So it is the quality of intersession between the service provider and service receiver that makes a good impression of the bank.

Encounters in an Airlines are listed below.

Buying a ticket, Checking in (Security check, baggage check, passport), Boarding in the aircraft, Travelling in the aircraft and landing at the destination.

Molecular and Servuction Model

Molecular Model: -Firstlar understood the difference between goods and services highlighting the relationship between tangible and intangible component of a service product.

(Eg) Indian Railway offer essentially an intangible service – transportation of goods and Services, But to deliver this intangible service, Indian Railways include the following

- Tangibles- bogies having different varieties with different comfort levels like Seats an air-conditioning.
- Intangibles- Frequency of train service guarantees and warrants.

The intangibles further broken down to tangibles the service in the train while travelling include food delivery, newspaper and magazines etc.

The molecular model has benefited service managers enable them to see a big picture of the firm's service enables to identify the customer needs by offering competitive features.

Servuction Model

This model illustrated factors the influence service experience.

When service firms provide consumers a complex bundle of benefits, the expenditure of consuming service becomes important. Service experience consists of aspects that are visible and invisible to the customer.

Visible: - Consists of the physical environment of service, all the features present during the service encounter.

Contact persons, employer, support personnel and other consumesr.

Invisible part: - experience.

Tourism marketing used this servuction model.

This model – demonstrates- consumers important for service process- greatly affect quality of encounter. Participation from the customers may be active or passive. Service Managers select and target right customers who can positively interact with other customers.

Some service managers renew in aduake the expected behaviour of customers and provide service experience to all

In tourism sector in theme parks- selection of customers made on basis of age, height etc. In certain themes parks only children are eligible to experience service.

Package tours select youth smokers make non-smokers uncomfortable. Consuming alcohol on trains is other example.

THE SERVICE TRIANGLE MARKETING MODEL

Deals about powerful marketing model and the game of 'promise' the service marketing is ensuring.

Service marketing is a game of promise played among threePlayers Company, customers and providers.

Company: - Organization that designs the service product and its various benefits offers service to customers to achieve its service goals.

East India Hotel owns and manages the Oberoi brand of Hotels, offers expensive accommodation, entertainment to the Society.

Transporters who provide cars for rental usage to corporate and individual customers.

Customers: - One who wants to fulfil his needs and desires satisfied.

Provider:- Internal customers of organization who complete the service transaction on behalf of the company mostly employees, franchisees, channel partners, distributors, wholesalers, retailers, 3 different type of marketing take place during the service transaction amongst the three entities.

External Marketing: - Company does (ext. marketing) on the customers. It promise benefits, explain the features of service offer and assures satisfaction by way of Ads, Public relations and other forms of communication. It uses mass media to convey its promise" makes promises to customers"

Internal Marketing: - Company provides working space, equipment's like computer, telephone, fax, to its provider. It also recruits, selects and trains appropriate employees. It enables the providers to complete the service transaction. The company" enables its promise".

Interactive Marketing: - The providers do interactive marketing with the customers. The problems in the face of the company and represent the company. Both the customer as well as the provider gets instant feedback about each during service transaction. The provider"keeps the promise" made by the company to the customers.

So the game of promise in service transaction is.

- Company "makes promise to the customers.
- Company enables the providers to complete the service transaction so company enables its promises.
- The provider" keeps the promises" made by the company to the customers.

BUILDING SERVICE CUSTOMER RELATIONSHIP

The service firm tents to lose a lot of Potential customers at the very first stage of customer acquisition by not making the important second phone call. In order to build a profitable customer base all effort should be made by the service provider to optimize the cost, expenseand effort of customer creation. Customer acquisition is more expensive than customer retention.

The customer market consists of a service firm's present and potential customer and definitely the main reason for the existence of the firm. Customers consume and experience the firm's different service offers and generate the revenue for it to be a profitable one. They are the target for the service firm's communication, service process and delivery.

The service marketer focuses these activities towards the customer and concentrates on the service transaction process. The service marketer should build long term relationship which results in repeat encounters and successful customer retention.

(e.g.) ICICI and Aravind Eye Hospital conducts free camps and propagates their plans and policy to the general public. People used to come and visit the camps and get advice from the staff. After the encounter the camp staffs record the entire database of the visitors and after one or two days they used to call them over phone to serve them and to get business.

Usually an insurance agent sells a product that would earn him more commission. But some insurance agents do a critical need analysis of the consumer and then offer him alternatives, which would suit his present and future budgets. He should keep in mind that the customer growing needs and there will always an opportunity to offer other products to the customer later. So he should shift his

focus from a single transaction sale to a long term relationship building.

Earlier many service firms enjoyed monopoly and did not have customer orientation and instead followed the transactional rouse, looking for short-term objectives. But many firms realised to be expensive to create customers and then keep creating more.

Transactions vs. Relationship Marketing

Transaction Marketing

- Focus on Single sale.
- Orientation on product features.
- Short time sale.
- No emphasis on customer service
- Limited customer commitment
- Moderate customer contact
- Quality is primarily a concern of production and not marketing.

Relationship Marketing

- Focus on customer retention
- Orientation on product benefits
- Long time scale
- High customer service emphasis
- High customer commitment
- High customer contact
- Quality is the concern of all

This long and short of all is building relationships with the customer and different customers have scope for different relationships. Relationships between the customer and the service provider keep changing from the time of their acquisition to their retention.

In the beginning the relationship is that of Prospects (one who is expected to purchase). After they have decided to choose each other the service firm re-designates the prospect as a customer. He has potential and there is scope to grow with each other. Deeper need analysis of the customer is made to provide the range of services

The customer begins to trust the provider and if provider categorises him as a net worth person, he the customer transforms as a client. [Client person using the services of a professional person). He gets individual and personalized attention from the service provider.

Supporter - with the stronger relationship, he becomes an unpaid salesman of the service firm.

And finally, he becomes an advocate (person who recommends a policy).

Accordingly, each firm will have certain level, so if all the marketing ladders are fulfilled, these creates a strong relationships, the expectations of customers and shareholders start raising rapidly and the service firm is forced to satisfy all the customers. Customers are retained through relationship Marketing.

So for a service firm, its marketing philosophy should be

- To acquire customers
- To retain customers and
- To do business with only profitable customers

It is more expensive to acquire customers than retain customers. Also customer retention becomes a challenge in the era of heightened competition and decreasing customer loyalty.

Researchers displays the fact that customer acquisition is five to ten times expensive than customer retention.

THEORY OF LEAKING BUCKETS

All things being equal, the firm size service offer which has half the customer leakage that its rival firm, will have double the market base in fourteen years.

If two service firms have the same market base but have different customer retention capabilities, they will have different customer acquisition rate or volume.

But a service firm with better customer retention will acquire less customers than its rival. Suffering less cost at the same time they will fine-tune to focus on high transaction, high profitability low maintenance client cost.

Also for a service firm, it is very difficult and impracticable to satisfy the needs of all customers, instead it should concentrate on those customers who yield maximum profits and giving them maximum customer satisfaction.

This type of customer segmentation will help the firm to optimize its limited resources and get better return on capital employed.

So to survive and prosper in the service business, the firm has to map its competencies and capabilities, target profitable customers and work hard to retain them.

Customer retention makes the service business a sensible one. Also researchers found that there is very strong relationship between customer satisfaction and profitability just as there is between customer retention and profitability. This is explained in a model called the service- profit chain.

THE SERVICE PROFIT CHAIN MODEL

The service profit chain model is based on the following seven theorems.

1) Profit growth is limited to customer loyalty.
2) Customer loyalty is limited to customer satisfaction
3) Customer satisfaction is linked to service value.
4) Service value is linked to employee productivity.
5) Employee productivity is linked to employee loyalty.
6) Employee loyalty is linked to employee satisfaction.
7) Employee satisfaction is linked to intended quality of work life.

Service profit chain model has certain limitations. They are

Relationship between satisfaction and loyalty is not always linear (similar)

The relationship depends upon the type of industry.

Where the choices for the customer are very high, the relationship is very strong.

But in monopolistic competition like utilities, public transportation, Government, the relationship is weak.

Benefits of a successful customer retention programme are

1. Customer retention is cheaper than customer acquisition.
2. Reduces communication costs for customer acquisition like advertising and other promotions.
3. Loyal customers tend to do repeat purchase, so it reduce marketing cost but increases revenues.
4. Loyal customers tend to avoid substitutes and other competition and perform repeat purchase even if the price of the service is more- increasing revenue and profit.

5. Satisfied customers transforms into advocates they perform the role of unpaid salesman, promoting the service of their own free will.
6. Repeat customers are less expensive to service than first time customers, as they will be well aware of the offer and do not require customer support, education, guidance and training.

UNIT-II

FOCUS ON CUSTOMERS

All the strategies are developed with an eye on the customer and all implementations are carried out with an understanding and an impact an the customer. And all the tools, strategies and frame works has customers at their foundations. Customers are the assets to be valued, developed and retained.

Assessing service marketing opportunities

New service marketing opportunities have been created chiefly in the following services sectors.

- Travel and Tourism
- Capital markets and retail banking
- Telecommunications
- Insurance

TRAVEL AND TOURISM

Domestic air travel had been liberalized under the new "open – skies' civil aviation policy of the Government of India. This gave scope for private sector players such as Jet Airways, Sahara Airways, Air Deccan, Kingfisher, Paramount, Spice-jet, Go-Air and many other private companies entered the market. This entry posed heavy competition to Indian airlines in the domestic services field. The benefits of the customers have constantly improved in terms of competitive prices, connectivity to more destinations and more efficient services. More frequent flights, easy check- in, customer loyalty programs and concessions for early bookings.

In short, this is considered as a healthy competition and has brought about customer- centric improvements in services. Even government owned Indian Airlines Corporation which initially suffered heavy losses has made every attempt to improve its service. So this careful attention and attitude has given way to much more customer friendly attitude in every operational area. Indian Airlines is now

trying to compete with private operators using the same kind of strategies adopted by the private carriers.

It has enhanced many job opportunities for pilots, flight attendants and employees in air traffic control, flight catering and other related services.

CAPITAL MARKETS AND RETAIL BANKING

In the 1970's, 1980's and 1990's, the field of banking was dominated by large public sector banks. They had identical policies and non-friendly attitude towards customers. With the entry of banks like HDFC, ICICI, IDBI, UTI and AXIS Bank, the world of banking has undergone great change. Foreign banks such as HSBC, Standard Chartered bank and Citibank that were previously restricted to a few locations in their operations have widened their operations in India and provided further competition.

Previously, there was no alternative for customers to shift to other banks. Whether they are satisfied or not, they have to continue with the same bank. Today with the arrival of private sector banks, the public sector banks face tough competition and customers can easily change from any bank that is not suitable to him.

Private banks are focusing on newer products, newer technology ATM Machines, Internet or Phone banking, friendlier ways of addressing a customers, home banking and home delivery of drafts or cheque books etc.

TELECOMMUNICATIONS

Telecommunications services were offered by the Department of telecommunications in India. Private Network operators have entered the field of local telecommunication. The privately run STD Network provides easy access to people across the world. Mobile telephone has further increased the competition. The intense competition has benefited the customer through low calling charges and better connectivity.

Even Internet provision, broad band access, video conferencing and Internet phone are undergoing intense price and service-based competition both from private as well as public sector operators for customer service.

Mobile phone companies like Reliance, Vodafone, Airtel, BSNL and other leading phone operators have phenomenal opportunity to grow.

Providing handsets, SIMCARDS, periodical offers are made available in many outlets to the benefit of the customers.

LIFE AND GENERAL INSURANCE

The entry of several private insurance companies such as ICICI Prudential, Max Newyork Life, Bajaj Alliance, HDFC Standard Life, AMP Sanmar and many more companies backed by overseas participants has made the competition intense. New and innovative products have begun to enter the market. Wider sales and service networks and new channels of promotion have begun.

Previously Life Insurance Corporation of India and National Insurance for general Insurance were the two Insurance Companies which had monopoly power in India. After the entry of Private insurance companies with their marketing and promotional strategies, the two companies could not meet the competition and they in turn have adopted certain marketing strategies of private companies to overcome the competition.

The private insurance companies with their advisors have helped the common public in learning the insurance concept. The tremendous growth in the Insurance sector had paved the way for many job opportunities.

CUSTOMER BEHAVIOUR SEPCIFIC TO USAGE OF SERVICE

Why should we analysis the customer?

The customer is the main reason for the existence of the service firm.The customer forms the basis for all the marketing strategies like segmenting, targeting and positioning, Without the understanding of the customer, it would be impossible to a marketer to deliver the offer in the face of increasing competition.

As the consumer's mind is like a 'black box' the buying behaviour of the consumer is studied. Marketer can try to stimulate the consumer but is not sure which way the buyer of the service would react to buy or not to buy the offer.

Marketer can study all the external stimuli acting on the consumer and his responses external stimuli are of two types.

- Those controlled by the company through its marketing mixes like the offer, price of sale, advertising, special promotions like free samples, celebrity endorsements etc.
- Others are social sources like word of mouth and certain reference groups which have strong recommendation effect.

By market and consumer research, marketing the service marketer can claim to understand the consumer reasonably well. He then can tailor his marketing programme accordingly.

THE 7'O' FRAME WORK OF CUSTOMER ANALYSIS

Customer Analysis

1. Who buys?	Organisation- Industrial
	Occupants - Individual
2. Why they buy?	Objective
3. What they buy?	Object
4. When they buy?	Occasion
5. How they buy?	Operation
6. Where they buy?	Outlets

The marketer should know whether he is an Industrial or Individual customer.

The reason or purpose of purchase.

What they buy? -object

When they buy occasionally or frequently ?

How they buy ? by mail orders or net purchase

Where they buy? whether in outlets or in direct company

Who is the customer?

The service marketer should know his customer. The customer can be individual or an industrial or organization.

Even though both might buy the same service offer, the marketing will be entirely different for both.

For an individual customer, mass media will be used for communication. But for institutional customer it is more personal selling and using trade papers.

Decision maker

For individual customer, he himself is the decision maker and whose action affects him and his family the most.

But for an institution it is the action of the purchase manager which would affect the whole set of employees

For example, an individual customer might buy an airline ticket and stay in a hotel so he alone will take the decision and if there arise any inconvenience we alone will be affected by it.

But when an oragnization like a pharmaceutical company goes for a long term arrangement with an airline and certain hotels to use their services for its employees, the decision maker is one person for all the concerned persons. May be definitely a senior person like the purchase manager and he has to analyse every negative and positive for present and future happenings and take a rational decision.

EMOTIONAL vs. RATIONAL NEEDS

There needs more rationally in the decision- making by an institutional customer than by the individual customer.

A computer service contract for a bank would follow the tender and quotation route partly because of the volume of business while the same decision making would be different for an individual customer.

What does the customer buy? (object)

Customer mostly buys goods, services, ideas, information and experiences from an organization. All these generally fall under goods and services.

The offer that they buy can be a high involvement offer or a low involvement offer.

HIGH INVOLEMENT SERVICEPRODUCTS HAVE THE FOLLOWING CHARACTERISTICS

1. **Complexity of features**

   If the service offer has complex features, it will create an anxiety in consumers. This will take more time to understand the service offer, the usage and feature familiarization.

   e.g To avail a home loan from HDFC Bank, a customer has to provide many documents and related papers for the sanction of loan.

2. **High price**

   High price of services makes a customer slow and cautious in their decision making.

   They will debate upon the positive and negative aspect of service consumption or transaction cost of a vacation.

   e.g. The service cost of Appollo Hospitals are high. So certain customers will be slow and cautious to avail the service from Appollo Hospitals.

3. **High perceived risks**

   A consumer perceives risk in consumption in two forms.

   Bodily harm and financial loss.

   When a consumer goes for a cosmetic surgery he will perceive higher bodily harm and risk than for a routine facial.

   Similarly when a customer goes for an investment in a project or in a real estate deal, they might feel the risk of financial loss.

   e.g. Amusement Theme Park like Disney,MGM,etc.

4. **Large difference in features**

In the consumers perceive that there is a large difference in features in a certain service category, the customers would be highly involved.

And if in a home appliance industry, consumer don't perceive much difference between products their involvement becomes low.

5. **Large number of users**

If there are a large number of users for a service offer, like a family package tour, then there will be more participation and involvement from all family members. But if one person is a consumer deciding to take a computer course during her school vacation, the involvement will be low.

6. **Enduring service product**

If the service offer has a long life span or has a long lasting effect- like a time share purchase or selection of a school for a child it will make the decision highly involved.

7. **Reflects self- concept of the buyer**

Certain consumers are very much aware of their self- image and will maintain it or change it.

They will go for such a service hoping that they will reinforce their personality and self-image.

This reflects the well being of consumers. For example, when a person thinks about a club membership they will evaluate the offer in depth and choose the club according to their self concept and self-image.

Low involvement service products have the following features

- Low price
- Less difference in features
- Simple features
- Does not reflect a consumer's personality
- The product one of mostly daily needs and
- Low brand loyalty

IMPULSE PURCHASES

A customer goes through such purchases called impulse purchase without any predetermined plans made at the beginning of the day.

He will be serious of instant satisfaction and gratification. A customer walking along the pavement may see and have a glance through a book, see a CD/ cassette or hear it play, may touch feel or try a dress etc. All these might make him go for instant purchases.

This immediate need recognition and consequent desire to purchase have been triggered by budgets and summed up in neuro linguistic programming format as VAKOG.

- Visual: The sight of the product might create an urge in the minds of the consumer to buy it. That is why marketers and others concentrate or display, colour, designs,etc.
- Aural : The consumer is greatly influenced by the sound factor. This is an important attribute in musical instruments, wind chimes or music software.
- Kinesthetic: This is the touch and feel factor which consumers use to greatly enhance their evaluation as well as appreciation. Thus garments textiles and fabrics like silk are greatly appreciated by touch. The smoothness of a finish in furniture can only be certified by touch.
- Olfactory: This is the sense of smell. Food products, perfume and deodorants etc. are all evaluated by smell.
- Gastronomic: This is the sensation of taste. Evaluation of many products especially food is done through taste.

BUYING SITUATIONS FACED BY THE CONSUMERS

Customers find themselves in different buying situations from purchase to purchase and service transaction to service transaction. Customers go two times to the bank for two different purposes.

First to deposit a cheque in his savings account and second to get a home loan. So these two situations would differ greatly. Customer nowadays is aware of the service products. Everyday customer knows a particular credit card and aware of the brand of cards.

Likewise a customer has definite- decision making criteria about the purchase of the service offer. Let us assume that a customer is very clean about the that he would like to stay in for his business tour. It should be close to the business district and also to the airport. It should have a conference centre and the tariff should not be more than Rs.2000/- per day. So he will have a perception of all this and then make a decision to select the offer.

The customer is competent enough to evaluate the service offer and also has definite evaluation criteria.

So if the three conditions

a) Customer is aware of the service product and service brands.
b) Customer has definite decision making criteria about the purchase.
c) Customer is competent enough to evaluate the service offer.

If all the above conditions are met, then the customer is knowledgeable, aware and confident so no need to be highly involve with a purchase or transaction.

The marketer also can appropriately tailor his communication and marketing strategies at the customer.

Three buying situations are elaborated by Howard and Sheth.

- Straight re-buy or Routinized Response behaviour.

Here the customer comes for repurchase of the same service product-say a bank draft. Here all the three conditions of differentiation are met. He is aware of the service product, category as well as the brand.

The purchase is of daily or frequent necessity and he has low involvement in the purchase process. The same happens when he goes to the post office for buying stamps or to a DTP centre for photocopying.

Modified Re –buy or limited problem solving

In this situation, the customer does not meet one or more of the differentiation criteria. He may be aware of the category or brand but not the new version or form.

For example, when a women goes for her weekly visit to the beauty parlour and asks for a usual treatment. The assistant will introduce a new treatment with newer products and techniques. So the women will then enquire about its core and peripheral benefits, its usage and after-effects, if any, and also about the price.

- Extensive problem solving (or) critical problem solving (or) new task

A customer in the buying situation is totally unfamiliar about the offer. He is not clear either about his decision criteria or his evaluation criteria due to his lack of knowledge of the offer.

So here in this situation two or all of the conditions aren't met. This happens for most services offers like vacations, package tours, flights, insurance and major consultancy contracts.

Here the consumer is most of the time not aware to decide any destination or its promises or do not have the competence to evaluate the criteria of decision making. These are high involvement purchase processes and the customer would require a lot of time for information as well as decision-making.

DECISIONMAKING ROLE IN SERVICE- BUING BEHAVIOUR

In consumer – decision process of purchasing a service offer, the decision maker is not just the persons deciding to buy or not buy. There are many roles played by the customer and whose involvement in summation ends, with the decision to buy or not to buy.

And more correctly, several roles are played in the decision making process of acquisition, usage and disposition of the service offer. So some

decisions require more than one person's involvement, while for some decision, only one person takes the decisions to buy or not.

For example, a bachelor, a student in a hostel or a single parent has to take all the decisions on their own.

ACQUISITION

Acquisition is mostly true for tangible goods. Also it can be applied to service offers which have some composition of tangibility like a degree certificate is the symbolic acquisition of education.

Similarly a mobile service is intangible but the unique number of the connection acquired is tangible. This is also easier to understand where the offer has an in-built intangible component, like souvenirs in tourism.

USAGE

Usage of service is the actual consumption of the offer. The decision to purchase will be taken by someone, the actual consumer will be an entirely different person.

A good example is an education. For a child, while parents are the decision-makers, the child is the consumer. Similar examples can be taken in case of health care and old age homes etc.

DISPOSITION

How a consumer disposes of the offer after usage may not be applicable in the service due to its intangibility. But in certain offers which have a sizable tangible component like ordering food in a restaurant decisions regarding disposition will come into effect.

The different types of roles that a consumer plays in service consumption decisions are.

a) Initiator/ Influencer

Initiator is a person responsible for germinating the idea of consuming or whose has experienced the service offer. He could

be a family member or an outside like neighbours, colleagues and relatives.

Thus if a person is satisfied after seeing a movie at a theatre they will be influencing their neighbours. The decision maker refers to them, trusts them and believes in their expertise in the offer.

There are two types of reference groups that influences a person. The primary reference group which includes family members, colleagues, neighbours whom he meet regularly but informally and the secondary reference group which include social circles, religious meetings and certain sports club whom he meets irregularly but formally.

So each and every marketer should identify such groups and use them in his communication strategy to reinforce their influence. Word of mouth communication is very effective for primary groups, while messages by known personalities would be suitable for secondary groups

b) Information gatherer

This person who is very resourceful has ability to gather all possible information of the service offer. Based on the gathered information, decider can take an informed choice or decision.

So possibly service marketer should target the information gatherer in his communication strategy, giving him all possible information on request.

For example if a customer has difficulty in getting information regarding some service firms like hotels, hospitals, travel agencies, then the decider will ignore that particular offer and the service marketer certainly a customer.

So in certain service industry where the service firm provides a crucial role the marketer needs to have such systems as customer management and should have easily accessible call centers functioning efficiently.

For example, banks like ICICI, HDFC, IDBI have 24 hours toll free help lines to assist customers with their banking transactions.

c) Gatekeeper

The gatekeeper is the anti worker of information gatherer. He blocks or filters information which limit the choices of the decider according to his needs. This system take place mostly in institutional customers. Here the Secretary, security guard and purchase managers perform the function of the gatekeeper.

e.g The purchase manager of Kingfisher Airways will decide to buy Airbuses or Boeing and will recommend it to the CEO.

Similarly for an insurance advisor to get an appointment in an office, he has to convince the security guards, secretary, etc.

In the case of a family decision, the Senior member will act as a gatekeeper. In the television, you may have many types of channels. The parents will block certain channels by secret passwords.

Avoiding certain tourist spots for viewing and evaluation like Goa as the family will not like the western influences.

The job of gatekeeper is somewhat difficult in an organization and comparatively easier among individual consumers.

UNIT III

THE PRODUCT LIFE CYCLE

A service offer goes through various stages of slow acceptance, surge in popularity, steady sales and sometimes drop in sales. The drop in sales can be due to many factors including better substitute offers, product obsolescence, changing preferences of the consumers.

It became imperative for the service marketer to study these varying patterns of sales growth over the lifetime of the offer. With the simple comparison to the stags of human life, PLC implies that services also move through easily identifiable compartments of time and have different, characteristics. It greatly helped the service marketer to plan for the appropriate marketing initiatives and responses during specific stages on a service offer's life span. The PLC has been co-opted as a basic assumption factor in the Boston Consultancy Group Grid and in many theories of new product development. Researchers have come to the conclusion that the product life cycle model is very valid in many common market scenarios.

1. Conception / Incubation: This is the incubation stage of a service product, called New Product Development. It consists of the complete activities from ideation, research and development and product testing.
2. Introduction: This is the stage soon after the launch of the service offer. The public at large is not fully aware or exposed to the offer. Sales growth or adoption by the market is log. The potential consumers display uncertainty and resistancy to any new products that are not tried and tested.

The service firm would be incurring heavy expenditure. Without any surge of revenue, building up awareness through different types of promotions will be costly. Unlike firms dealing in goods, service marketers do not have to go through the expenditure of cost of production, storage and inventory – not unless they have sizable tangible component in their offer. Production facilities or the lack of economies of scale at the introduction stage will be costly. At this stage, the cost of the offer is high and only a frugal cash flow management can take the service firm through to the next stage of the product life cycle.

The normal sequence for any offer to become popular and enduring its trial is sampling of the offer which is followed by repeat purchases. Intangibles like service products, word-of-mouth publicity and recommendations anyway play a major role in bringing in new customers for sampling.

3. Growth: There will be surge in demand for the service when customers make repeat purchases and potential customers come in due to recommendations made by the formers and by the generally positive publicity floating around. Entertainment products like theatres, concerts operas, plays, movies and circus etc. are highly vulnerable to such publicity. When FMCG major Hindustan Lever entered the service arena in 2002 through Sangam Direct (e-retailing), Lakme Beauty Salon and Surf Laundromats, crucial indicators like enquiries, footfalls, trials, sampling, repeat visit and sales turnover were showing sluggish growth at the introduction stage. With more awareness came trial followed by repeat purchases and visits with footfalls growing exponentially. When the costs are overtaken by increasing revenues, the product breaks even and starts posting profits.

It is to be noted that the peak of the profit curve does not coincide with the peak of the sales curve. The reasons are due to normal market dynamics, surging sales, high voltage publicity, increasing awareness and profits. These are all indications of success. Success breeds imitators, direct competition enters the fray, hoping to fray and hoping to harvest from the successful formula. To beat them, the service firm has to fight in two ways: spend more money on brand promotions like advertisements and publicity and by offering price cuts. Although effective in slowing down the onslaught of competition, the added expenditures cut deeply into its profits.

There is a Bandwagon effect with the increase in sales, size of the consumer market and number of competitive players. With increase in market volumes and competition pr ice tends to drop. The service marketer has to invest in promotions to establish consumer attitudes,

increase market penetration and accessibility through wider distribution reach.

4. Maturity: Sales at the maturity stage flatten and slow down. Most possible product benefits are usually developed and the market has reached the dreaded point of saturation. Price cutting becomes the norm for attracting customers. The cost of doing business increases and the market becomes stable. Sales growth can slow down to as low as zero, if any new player entered the market they would only steal business from each other. The Indian hotel industry especially the five star luxury segment was witness to such a scenario in the sluggish early nineties as well as post 9/11.

5. Decline: In the decline stage, there is a downturn in revenues, customer acquisition and retention. This could be due to a number of factors.

- Direct competitors could be doing a better job in offering the same service with more value. Private airlines like jet Airways and Sahara Air have contributed to the declining popularity of the state-owned services like Alliance, Indian Airlines etc.
- Emergence of substitute competition: The market could witness other offers that could give the customers the same benefits and satisfy their same needs. Video parlours were forced to close shop following satellite television broadcasting, twenty-four hours movie channels and launching of VCDs / DVDs.
- Changing preference of the customers: Pager messaging services are some of the examples.
- Technology obsolescence: Make the service offer with better service being offered from those equipped with the latest technology. All India Radio (AIR) the state owned broadcaster has lost its audience to the high tech Frequency Modulated (FM) private players.

6. Postmortem: This stage is an after-effect of the changing environmental factors. Service product and the market have declined and the managers have stopped any further investments, expenditures or allocating any responsibility and accountability. Quality time is spent in monitoring and servicing the customers. In case of goods, an automobile

firm may have stopped the production of certain models but is bound by government and international regulation to continue making spare parts available to the customers and servicing their car. Similarly, servicing of the customers and their service products continue even if the product has been withdrawn or the service firm has exited from the market.

MARKETING RESPONSE TO THE PLC

INTRODUCTION

The marketer can make use of market penetration strategies by investing in promotions or making widespread entrée through low price and skimming strategies where short term gain is the objective with high entrée price. For services, the marketer is more capable of moving in at high speed than the goods marketer, as he does not have to grapple with such problems of production, inventory, storage and logistics.

The service marketer can choose from any of the given four market entry alternatives.

Rapid skimming: It is an expensive initiative combining high price and high promotion. This strategy is very useful if the market size and potential is very high and the likelihood of the competition to quickly adopt and adapt to the offer is also very high. When a service firm has a short term goal of profit maximization and increase in the sales volume, it can resort to this strategy. The target markets are the Early Adopters and Innovators who do not mind paying the high price for the privilege of being the early users. The early entrants in the cell phone service operations like BPL Mobiles, Max Touch, Orange, Hutch, RPG Cellular, etc. followed this strategy.

Slow skimming: This strategy is used when the service firm is confident that it can recoup its investment in sufficient time. This could be due to lack of competition (public sector undertakings, infrastructure services like airlines, telecommunications, etc. are some examples), requirement of heavy investments in technology and systems to compete etc. The target market mostly business and industrial users pay for the high price as the product is exclusive and vital for their competitiveness.

Rapid Penetration strategy: Service firm has a long term objective of being a market leader, market share and profit maximization and if there

exist entry barriers like intensive competition, then this strategy is useful. ICICI bank as also Korean firms like Samsung and LC entered India with their rapid penetration strategy. The price of their offers is lower but there is high visibility in the media.

Slow Penetration Strategy: The market size is large, well aware of the service offer and sensitive to prove but the competitive threats are almost non-existent, this strategy is used. The long term objective of the service firm is to maximize sales or profits.

Speed in market: ICICI bank made waves by moving very fast with its retail banking products. A slow entry would enable the competitions to bring out "me too" products and quite possibly grab a large market share. To move in quickly, service marketer can considerably reduce the lead time between product conception or incubation and product introduction. This is known as the marketer's "speed to market" factor. A necessary system for the service marketer to speedily consolidating his entry includes information integration, cohesiveness and synchronization of all management functions.

The service marketer should focus on the following three marketing activities to establish the service brand

- Establishing widespread distribution network: Reliance Infocomm, the Will telecommunication venture spent quality time in setting up the chain of its service and product distribution outlet Reliance Web World. To a great extent, this activity is credited with garnering the starting one lakh initial subscription.
- Develop awareness of the service brand through sustained advertising and media blitz.
- Initiate trial or sampling of the offer. In services, this becomes challenging as its intangibility characteristics prevent sampling or trial. The Internet Service Providers (ISPs) provided a fortnight to a month of free trial while many of the cable operators included return of deposits if dissatisfied with their cable connections.

Growth

It is obvious that the growth stage is a battleground for survival. It does begin with a highly optimistic "Take off" but ends with a blood bath of "shake out" with only the fittest surviving. The competition has got a chance to survive the shake out if they don't just copy the original but add innovative features themselves, attracting more customers and helping to enlarge the market base.

This happened with the cell phone service operators in the latter part of the nineties. If the market does not grow or there is more number or players than the market can accommodate, price war is inevitable, discounting becoming non norm and value being given the short shrift. Travel agents, airlines and even stock brokers and insurance agents not only chose to undercut but resort to such unhealthy practices as giving back customers a part of their commission.

Achieving optimum awareness of the service offer, the marketer should go all out in developing customers, increasing service delivery capability to keep up with demand, increasing access and making distribution effective. Enhance the brand value of the offer, which will become an important asset during the inevitable maturity phase of the life cycle. The advertising as a communication tool should explain the offer emphasize its features and image and create favourable attitudes.

Any sluggish response of the marketer and the inevitable inability to meet supply and demand might result in lost opportunities and poor customer retention. Increasing the market share should be an important objective of the service firm, bearing in mind the evolving competition.

Maturity

This stage will witness steady sales with frenetic competition and price war. The service products do not have any new innovations and the effort of the marketer is only to stimulate sales. Companies concentrates on maximizing profits, mostly seeks differentiation, offers wider range of products and concentrates on building relationships and long-term commitments with the customers. Product line modifications and line extensions can be attempted here. The service products do not have any new innovations and the effort of the marketer is only to stimulate sales. It

concentrates on maximizing profits, mostly seeks differentiation, offers wider range of products and concentrates on building relationships and long-term commitments with the customers. Product line modifications and line extensions can be attempted here. The marketer should make attempts at consolidating the position and maintaining the market share. With profits beginning to decline, the firm should go in for niche segments, service augmentation, image building and value creation.

Decline

Not much can be done by the marketer when the service is on the decline. For example the services of ear cleaners, tailors or development and printing of black and white films have reached the decline stage. This process includes choosing appropriate fabrics, colour and designs and then heading for the right tailor, selecting the right fashionable cuts, giving trials for the perfect fitting and then receiving the apparel.

Color film development and printing reached a critical mass, The availability of affordable, easy-to-use automatic cameras. The marketer then becomes reluctant to invest any more resources on the products. He squeezes as much revenue or profit possible from the offer.

- Leadership : When there is still potential in the market for profit exploitation, the service firm can invest in product support to strengthen it and emerge as a strong and competitive player.
- Niche : The service marketer can analyze the total market and identity certain specific segments that has potential for profitability and which can decay slower than the rest.
- Divestment: If the marketer is savvy enough to detect the symptoms of decline early on the product line can be sold in the latter part of maturity or earliest part of decline stages at a profit.

Postmortem

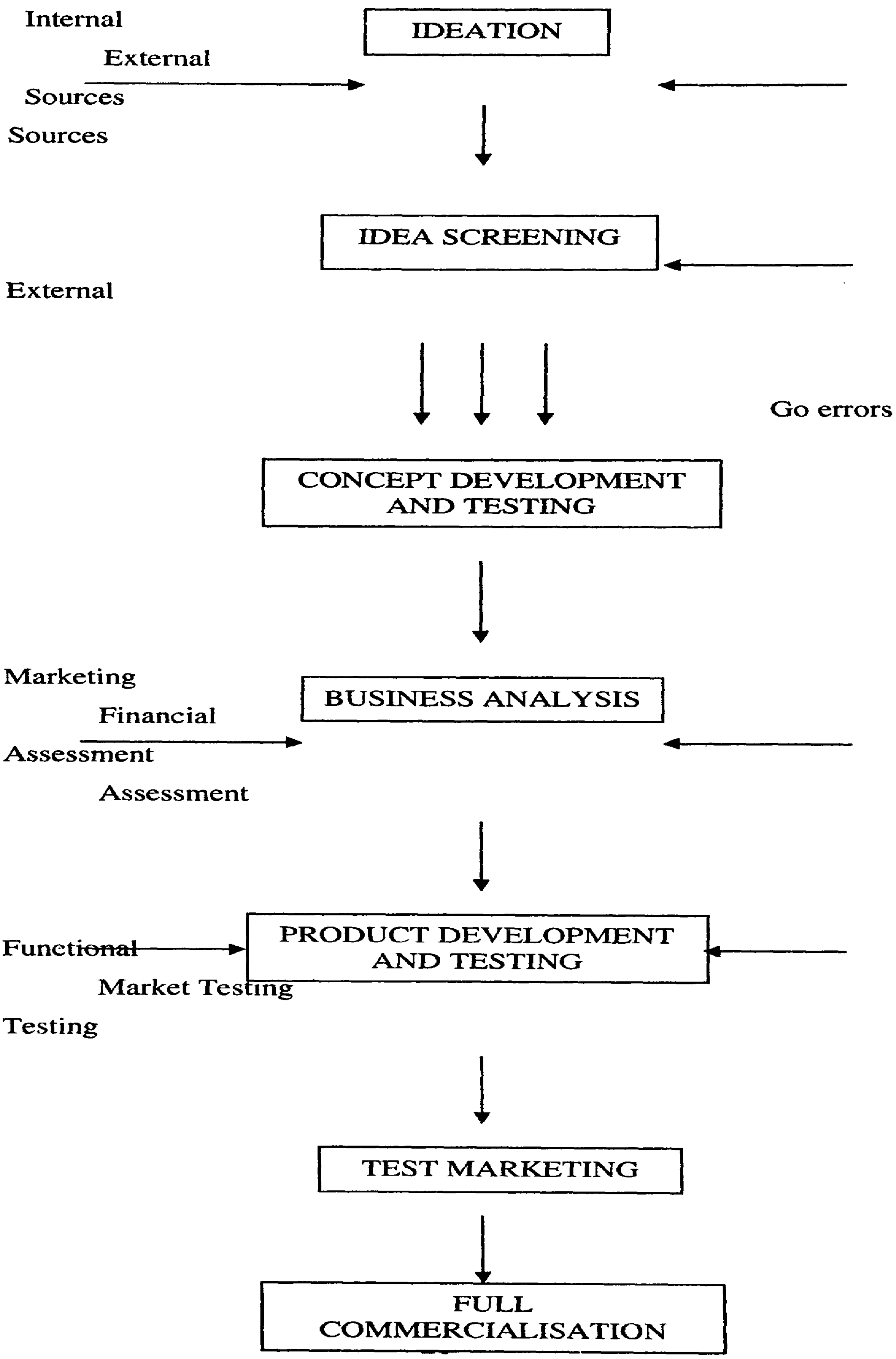
Postmortem very rarely affects services, mostly influencing managers in manufacturing and primary activities. Banking, entertainment, insurance, consultancy or retailing does not really have to engage in such activities as disposal of plants. Nor carful dismantling of manufacturing facilities,

PLC analysis is important for service product strategy, helping to analyze the swiftly changing market dynamics. Theodore Levitt recommends the "feed forward" method to locate a service brand in the life cycle.

1. An estimation and forecast of the environment, industry, competition and competitive offers will reveal the industry trend.
2. Using projection techniques, a near future scenario is built in terms of sales for the industry and the service brand.
3. Retrace steps backward to the present for both the service brand and the service industry.
4. The variance between the brand's performance and that of the competition and the industry as a whole with lead to the actual position of the brand in the life style.
5. Three scenarios are possible.

NEW PRODUCT DEVELOPMENT PROCESS

- Gap analysis
- New Product Development process
- Diffusion of innovation



Internal
External
Sources
Sources
IDEATION
IDEA SCREENING
External
Go errors
CONCEPT DEVELOPMENT AND TESTING
Marketing
Financial
Assessment
Assessment
BUSINESS ANALYSIS
Functional
Market Testing
Testing
PRODUCT DEVELOPMENT AND TESTING
TEST MARKETING
FULL COMMERCIALISATION

The process if idea screening is at two levels

1. **Idea Generation:** Sources of information are following:

   External:

- Changing customer needs and trends
- Competitors
- Distribution / trade / retail channel analysis
- Suppliers
- Universities
- Advertising and Market Research agencies

Internal

- Research and Development
- Production and Process possibilities
- Sales people give information on easier handling, packaging
- Marketing – perception of customers
- Top Management – By experience
- Trade Channel – Own distribution channel
- Employees – Knowledge Management

Most companies use Brainstorming, Quality Circle Initiatives, to get ideas from its internal sources.

2. **Idea Screening**

   Drop Error : Failure to identify potential ideas which later on turn out to be successful.

   Go Error: Ideas that have been given "Go Ahead" but later on turned out to be failures

   The process of idea screening is at two levels.

   1. New ideas to be assessed in terms of their market potential and organizational capability of producing and selling for example, when McDonalds' brings out a new branded eatable it should investigate its market, as well as organizational capability of delivering the correct product in the right quantities.
   2. Screening process is on numerical basis ie relative merits of different ideas are to be systematically analyzed

3. Concept Development and Testing: This implies that the product idea is the product concept, which implies building the prototypes.

Testing: Asking consumers about the reaction and performances of the concept.

4. Business Analysis: This includes marketing assessment and financial assessment.

Marketing Assessment

- Description of target market
- Forecasting of sales volume
- An indication of product positioning
- Likely competitor reaction
- Calculation of potential sales loss from existing products as compared to the new products – cannibalization
- A specification of new product feature
- As assessment of achievable price level
- A strategy for distribution
- A strategy for promotional requirements

Financial Assessment

It is based on the marketing assessment and calculation s can be made to project.

- Sales volume and value
- Variable cost of production
- Incremental fixed cost
- The contribution and profitability of the new product.

5. Product Development and testing: This consists of functional testing and market testing

- Functional testing : Consists of test on prototype and CAD / CAM. The tests are made on functional aspects of product.

- Market Testing : Here, the researcher dwells on the qualitative aspects affecting the customer, i.e. why he like or dislike the product and which are the features he appreciates or dislikes.

6. Test Marketing : Its main purpose is to discover potential problems with products and with marketing activities. It also seeks to identify who the buyers are and how often they make repeat purchases. Following are the kinds of test market.

- Standard test market : It's best suited for FMCG. This should be a scaled down version of intended national market.
- A representative geographical area
- Similar advertising media
- Equivalent distribution outlets and sales efforts
- Intended price levels

- Limited Test Market : Mini tests markets or stimulated test markets also known s "shopping Laboratories". You place these shopping labs in trade show; and exhibitions Companies resort to this test due to lack of time and as a precaution against alerting the competition.
- Product use test: The researcher looks at a trade off analysis between repeat and trial purchase.

Test Marketing should measure

- Repeat purchasing
- Advertising effectiveness
- Effectiveness of introductory offer
- Effectiveness of trade offer
- Share of total market
- Characteristics of buyers and rate of adoption
- Reason for not adopting / discounting usages.

Test market characteristics

How should you choose a certain place for test market?

- No single industry should dominate the market
- Should be typical of the competitive advantage situation
- Should represent different geographical regions so that results can be generalised
- Should have media pattern similar to the proposed national media plan
- Should not be small and overtested

National sales estimate in test marketing

- $NSE = \frac{\text{Total Income India}}{\text{Test Income Area}}$ x Test sale market or
- $NSE = \frac{\text{National sales of product related}}{\text{Area test of same project}}$ x Test sale market
- NSE = shared market ratio in test market * National sales of product class
-

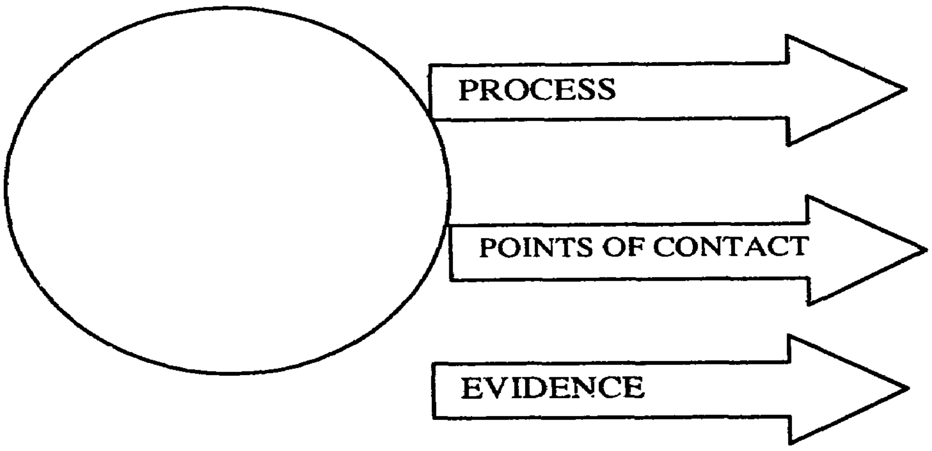
Drawbacks of Test Marketing:

- The firm should ensure that the risk reduction and cost of ensuring the risk reduction. If new product is not a major commercial risk, cost of staging a test market may outweigh the potential benefits of risk reduction.
- The economic environment might change between test market and full commercialization, for example, changing customers' willingness and preferences.
- Competitor may not react or retaliate at the test market stage but starts gearing up for a "Me Too" product if its market intelligence system says that the test market is success.
- Innovative products may experience high trial but prove to be fads with short product life cycles.
- Competitions may attempt to undermine a test market by price cutting their own ranges for the duration of the tests.

BLUE PRINTING

The service encounter is difficult to describe with accuracy and therefore there is a lot of subjectively in its analysis. This inconsistency prevents quality measurement. This has given rise to many methodologies in service encounter analysis and measurement which seek to 'map' the service process. With such a 'map' and 'scripts' it is possible to be systematic in the encounter. This would help the service manager in identifying areas of potential failures, weak service delivery points and identify solutions to overcome them.

Service blue print



This would prevent the manager from learning by costly trial and error. It (blueprinting) also enables marketing managers to understand the parts of the operating system that are visible to the consumer.

For example, many banks, schools and travel agencies fail to understand the importance of the first enquiry telephone call. If the telephone rings for too long, without any response, the potential customer has already formed an opinion of an uncaring organization. If the first encounter itself is not pleasant, the customer is not going to come back. Service firms are now starting to realize the importance of the first call and its potential for generating revenues. They are setting up 24x7x365' call centres to be manned by efficient and alert call handlers. The providers are adequately enabled by training, an computer facilities for all enquiry data access and customer and product details. The service providers are trained to pick up the phone on the first ring.

Service flowcharts allow managers to better understand service process. Flow charts seek to identify the following

- The time it takes to move from one process to another
- The costs involved in each process step.
- The amount of inventory build-up at each process step and
- The bottlenecks in the system.

Blue print has three core elements:

- Identification of all those functions that are essential to deliver a service along with the appropriate personnel with requisite responsibility authority and accountability.
- The relationship amongst different functions of service components are explained by graphics and charts. The relationship is based on time and sequence. For a hotel, the sequence of housekeeping in relation to reception and registration has to be elaborated with a specific time interval.
- Setting up of standards for each function with tolerance levels and variance from standards. Those tolerances for variance should not adversely affect the service quality.

SERVICE BLUEPRINT COMPONENTS

The service blueprint components consist of customer interaction, on-stage contact employee actions, backstage contact employee actions, invisible support actins and processes. For example in a travel agency, customer interaction is on the phone for tickets and reservations, over the counter for foreign exchange transactions. Thus a customer for foreign exchange and tour package will be in the line of visibility. The invisible support will be the systems personnel who will ensure online connections to the other branches, human resource personnel undertaking training and the branch administrator supervising the branch.

Why blueprinting?

The objective of blueprinting is to show how information, assets and customers are processed.

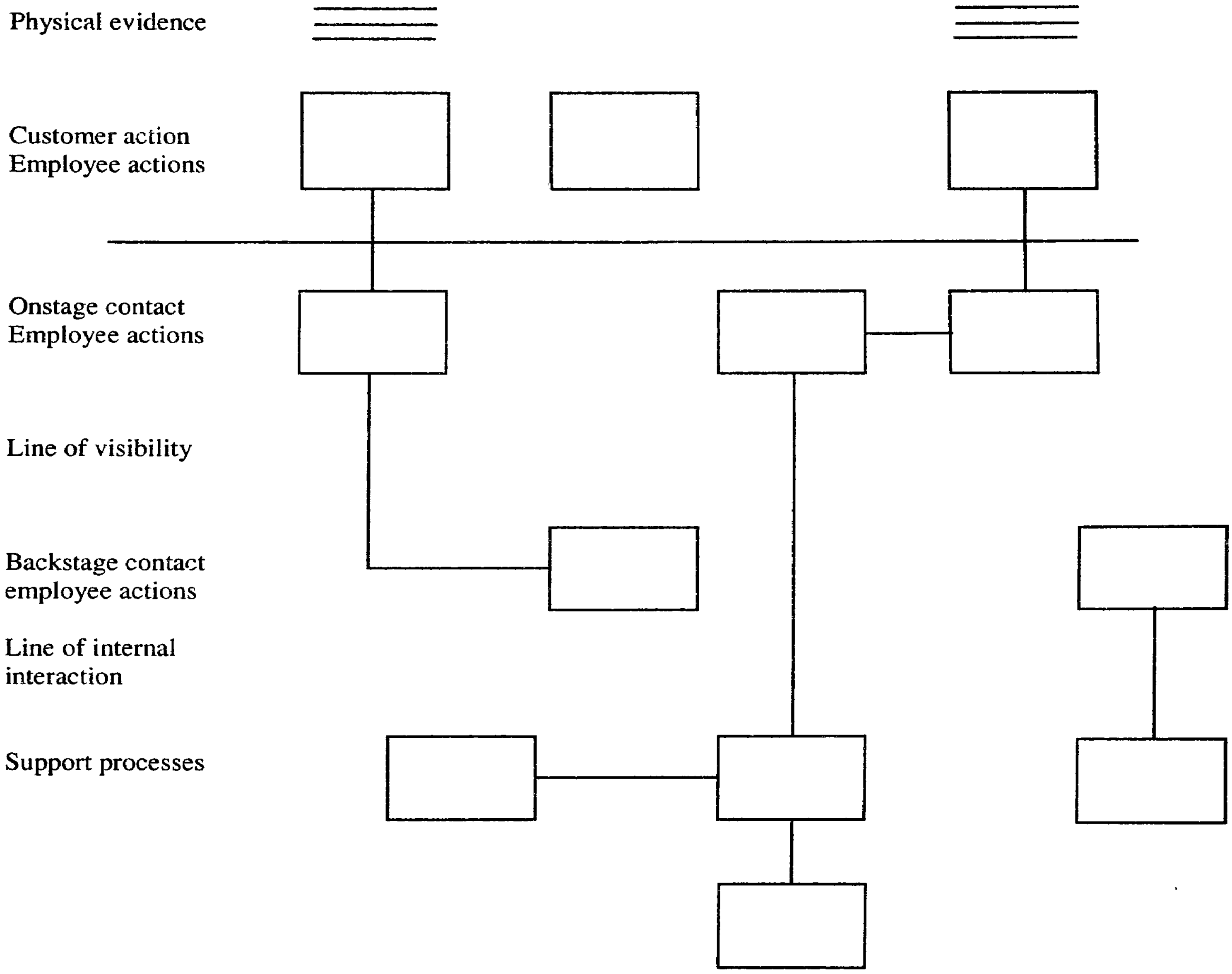
The following are the benefits of blueprinting a service process:

- Through blueprinting, marketing and operations personnel are able to communicate with each other on paper before they do so in real time.
- It provides a check on logical flow of the whole process.
- Bottlenecks represent points in a system where the consumer waits the longest. This identification would help the service manager understand the reasons for the delay and come out with solutions.
- Balanced production line implies that process times and inventories of all steps are the same. If not, the consumer never waits for the next process.

This implies for the service manager that there will be incomplete service experience.

- It helps the marketer to set target timeline initially based on consumer's expected level of service.

SERVICE BLUEPRINT COMPONENTS



Process of setting customer – defined standards

1. Identify existing or desired service encounter sequence

2. Translate customer expectations into Behaviours/Actions

3. Select Behaviours / Actions for standards

4. Set hard or soft standards

Measure audits or operating data | Hard | 5. Develop feedback mechanisms | Soft | Measure by transaction based surveys

6. Establish measures and target levels

7. Track measures against standards

8. Provide feedback about performance to employee

9. Update target levels and measures

There are alternative ways to develop service blueprints. Instead of going by the service's manager's own experience and knowledge of service delivery, an alternative way to develop a blueprint would be to start from consumer scripts. This is a process where consumers are allowed to describe the process they follow while using the service. Their usage becomes the guidelines for blueprinting.

Steps in designing a blueprint

1. Identify the process to be blueprinted: Impossible to blueprint the complete processes of the service provider in one format. The individual processes are to be identified for blueprinting. The summation of such processes would give the whole picture to the manager. Each process would by itself be in issue and particular problem identification and appropriate solution formulation would be easier.
2. Map process from the customer's point of view: The customer's comfort zones can be identified. Processes can be modified if it is found that customers are not very comfortable with certain sequences.
3. Draw the line of visibility: These are processes in zones that are visible to the customers and in which the customer is most likely to participate. There are also the invisible zones which consist of processes and

interactions that are necessary for serving the customer but are hidden from his view. This would include checking the credit-worthiness of clients, processing of documents, dispatch section operation etc.

4. Map process from customer contact person's view, distinguishing visible activities from those that re invisible.
5. Draw line of internal interaction.
6. Link customers and contact person activities to needed support functions.

Fail points

Major possibilities of fail points in the service delivery system. Service failures follow Murphy's law which states that whatever can go wrong will go wrong and cannot be avoided inspite of the best of planning. However, the failures can certainly be minimized by blueprinting. Three characteristics to these fail points which the service marketer would do well to observe are

1. The potential for operations malfunction is high
2. Results of the malfunction are very visible to consumers and
3. System malfunction is regarded by consumers as particularly significant

There are two types of blueprints

One sided blueprints: These are unbalance blueprints based on management's perception of how a sequence of events should occur. Sincerity of efforts on the part of management is no substitute to effectiveness.

Two sided blueprints: Both employees and customers perceptions of how events occur consumers are asked to pay special attention to contact activities of service encounters.

The blue printing process is undertaken with scripts. Some norms of the scripts which are an attempt to group in sequence of occurrence are given below.

Convergent scripts: Employee or consumer scripts that are mutually agreeable to enhance consumer satisfaction.

Divergent scripts: Scripts that mismatch and point to areas in which expectations are not met.

Process can be changed from the simple to complex in terms of divergence.

- Reduced divergence: Cost reduction, product improvement and simpler distribution are some of the ways this can be done. There is an opportunity to produce more uniform quality.
- Increased divergence: Greater customization more flexibility and therefore higher price. Marketing or niche positioning can be attempted. Tour package operators have attempted this strategy successfully.
- Reduced complexity: This is specialization where there are minimal steps and processes.
- Increased complexity: This strategy is used for market penetration by adding more services, Supermarkets, retail banks, etc. tend to opt for this strategy.

A service delivery system designed to provide customers a service with features to differentiate it from the competition. Designing a service delivery system has to take into account factors such as location, facility design, layout for effective customer service, workflow, etc. Operational, modifications are necessary in order to optimize the service rendered.

Banks in the Indian context have several competitors, all of them trying to provide the same basic service and trying to distinguish it from their competitors service delivery systems. What the banks all over the world are trying to achieve is to differentiate the experience of their customers when they render their service to them and at the same time optimize all these activities which are not directly involved with the customer in the service delivery system.

a) Activities which are above the line of visibility.
b) Activities which are below the line of visibility.

These types of activities are kept physically separate. Operations above the line of visibility are needed to be given special attention. Using blueprinting, banks

differentiate between the back office and front office operations. The front office operations are carried out with concern for ambience and effectiveness whereas the back office activities are carried out with concern for optimization and efficiency.

The service blueprint of a typical bank lending operation is given below. All those activities undertaken by the bank from the initialization of the loan proposal to the activity of closing the account are covered in the blueprint. Critical decisions should be taken by the bank employees whether to grant loan or not. The time taken for important activities is given next to the boxes. Some activities are processing information other represent interaction with customers and some are key decision points.

Blueprints enable managers to find areas for improvement as well as fail points, the points at which any mistake would mean huge costs for correction and rectification. Separating the high and low customer contact activities decides which activity is done in full view of the customer and which is not. This can help the bank to decide which activities are to be done efficiency and which are to be done with ambivalence but effectively.

Benchmarking

Benchmarking is a management tool. It is the process of learning emulating nd exceeding the world's best practice to dramatically prove product and service quality. Benchmarking is a competitive strategy to win market share and a survival strategy for threatened corporations and industries. As the banking industry becomes globalized and liberalized, clients anywhere in the world will soon expect the same excellent service from any bank or financial institution offering the same products. As customers seek better and better service, those banks that do not do continuous improvement through benchmarking are bound to lose customers and sales rapidly and irreversibly.

It should benchmark process and process targets like service times that matter to customers, rather than financial performance like sales, assets and volumes, which matter only to management. Benchmarks can be practices or

numerical process targets or standards set by the bank's best competitors. Quantitative benchmarks are more useful and objective than qualitative ones. They make it easier to assess how far the bank has gone in closing the gap with the best players.

The bank should first benchmark with its competitions or excellent companies in its industry operating anywhere in the world. Then it can benchmark with its affiliates, sister companies and subsidiaries, which may be dong certain processes much better than it itself does. Finally the bank can also benchmark with companies outside their industry whose processes can be adapted to their organization. After benchmarking, the bank can find out how bad or slow or poor it is in certain key processes.

Servicecapes

Servicecapes can be defined as the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service. The immediate environment in which service delivery takes place has a great role to play in enhancing the quality of the service experience and encounter.

The place where the service delivery and encounter takes place is like a shop floor or a factory. The service is produced and consumed – both in the same place and the same time. The servicescape encourages the customer to be deeply involved with the service production system. Call centres or Business Process Outsourcing (BPO) organizations are taking extra care to improve on their servicescapes, making the ambience, office, furnishings all conducive to good working conditions.

The following are the ways in which the physical evidence can be sued by service marketers.

- **Facility design**: The arena of service delivery also known as the servicecape, is one of the most visible physical evidence. The customer gets an enduring impression of the service organization by the facilities

and design of the office or the place of the service encounter. The foyer and lobbies of the world's great 5-star hotels are designed to awe visitors and create a favourable impression of grandeur, cleanliness and efficiency. The facility design would include buildings, office premises, design, layout and decor of the office, air-conditioning, furnishings, etc. Call centres, hospitals and consultants are paying a lot of attention to facility design.

- **Equipment:** There was a palpable difference between the public sector banks and the new private banks in the late nineties. The latter had currency note counting machines, computers. ATMs, net-banking facilities, etc. ATMs also enable the banks to deliver services 24 hours and therefore are visible to the general public at any hour of day or night, Domino's pizza has effectively used its home delivery concept to be different by using their trademark scooters and carriages for delivery thus increasing their visibility.
- **Signage :** Signages are continuous communicative media. In the form of glow signs, posters or luminous hoardings there is uninterrupted communication and a powerful remainder to the constituents about the presence of the service organization, signages will contain the firm's name, logo, mascot, corporate colour and slogans. Neon signs continue with the communication having glow, brightness and movement, attract the attention of people.
- **Employee dress:** Uniforms are another tool at the disposal of the service marketer to communicate about his presence and existence. The army and the police have effectively used their uniforms to set themselves apart.
- **Reports** : Findings documented on paper increase the tangibility of the service. Examples of reports are: performance reports like annual reports, project reports by consultants or even medical reports.
- Business cards: A business card serves multiple purposes. It conveys a strong impression to the customer of the service firm of which the provider is a part, by its design, print, paper texture, etc. Customers made an evaluation of the service firm based on the quality of paper. Business

cards become a ready reckoner for the customer as a database and are a form of remembrance advertising.

- Statements: Slogans, vision and mission statements make a service firm distinctive and successfully convey its philosophy. They help people to become involved with the service brand.

UNIT IV

Service Design and Positioning

The objective is to study the following:

1. Describe the challenges inherent in service design and positioning

2. Present helpful steps in the new service development process

3. Show the value of service blueprinting in new service design, service improvements and

positioning strategies.

4. Demonstrate how to build a service blueprint and

5. Explain service positioning and the role of the service quality dimensions, service evidence

and blueprinting in positioning strategies

Since services are intangible, it is always difficult to describe and communicate. Because services are delivered by employees to customers, they are heterogeneous; rarely two services are alike and experienced in the same way. These characteristics of services are the heart of the challenge to involve in designing and positioning service.

Risk of describing Services

There are four risks associated with attempting to describe services in words alone.

1. The first risk is oversimplification.

Explaining portfolio management as buying and selling stocks is like describing the space shuttle as something that flies. Some people will picture a bird, some a aero plane. Hence, words are simply inadequate to describe a whole service system.

2. The Second risk is incompetency.

In describing services, people tend to omit details or elements of the service with which they are not familiar person might do a fairly credible job of describing how a discount stock brokerage service takes orders from customers. But would that person be able to describe fully how monthly statements are created, how the interactive computer system works and how these two elements of the service are integrated into the order taking process.

3. The Third risk is Subjectivity.

Any one person describing a service in words will be biased by personal experiences and degree of exposure to the service. There is natural and mistaken tendency to assume that because all people have gone to a fast-food restaurant, they will understand what that service is. Persons working in different functional areas of the same service organization are likely to describe the service very differently biased by their own functional blinders.

4. The Final risk is Biased interpretation.

No two people will define responsive, quick, and flexible in exactly the same way. For example, a supervisor or manager may suggest to a front line service employee, that the employee should try to be more flexible or responsive in providing service to the customer. Unless flexibility is further defined, the employee is likely to interpret the work differently from the managers.

The above mentioned risks become very apparent in the new service development process, when organizations may be attempting to design services never before experienced by customers. It is critical that all the involved people such as managers, frontline employees and behind the scenes support staff should be working with the same concepts of the new service based on customer needs and expectations. For a service that already exists any attempt to improve it will also suffer unless everyone has the same vision of the service and associated issues.

Positioning on Service Evidence:

Positioning your service is the first step in the marketing process. More specifically defining the target segment. Once it is defined, the rest of the

marketing mix becomes easy. When defining a target niche, identifying too wide a base, means you specialize in none. There should be a focus on being able to service the niche that requires greater skills. It reduces competition for those specific clients and prospects in all the niches that are easier to serve will implicitly know that their needs can be fulfilled.

Services can also be positioned based on service evidence from the customers view point. The evidence of service falls into three categories,

1. **People**
2. **Physical Evidence**
3. **Process**

1. People: Here people we are referring to as contact employees who come in contact with the customer and offer service facility. How these people look how they act and who they are, will influence the service position in the customer mind. Imagine yourself arriving in city for the first time, seeking a place to have a dinner. As you wonder down a street with a number of different restaurants, you glance at the board, notice the service personnel and other customers. Sometimes the dress worn by the people is an indication of the service and this has a great bearing on positioning. Employee uniform dress codes can also serve to convey a particular service position. Lawyers in black dress and Doctors in white coat are the indications of their service.

2. Physical Evidence: Physical evidence is similar to tangible elements. While tangibles may be rated high by consumers in terms of their influence on quality physical evidence for positioning places in a role.

All forms of communication such as brochures, advertising, business cards, billing statements form part of physical evidence. Let us take the example of an educational institution where all the details regarding the courses offered, fees structure, study program content, food facility, hostel facilities and library facilities available. These are examples of physical evidence.

3. Process: Process can be used for position strategy. Process are divided based on Complexity and Divergence.

Whether a service is high or low in complexity refers to the number of steps involved in delivering the service. Divergence refers to variation in these steps.For example, a physician service is high both in complexity and divergence, and a hotel service is high in complexity. A number of steps are involved in service delivery process. But it is low in divergence i.e. they have standardized their services from room cleaning to check out. These are services which are low in complexity but high in divergence.

Design

We are surrounded by things that have been designed—from the utensils we eat with, to the vehicles that transport us, to the machines we interact with. We use and experience designed artifacts everyday. Yet most people think of designers as only having applied the surface treatment to a thing conceived by someone else.

Ultimately, everything that has not come from nature has been designed—it just may not have been consciously designed. Design is a complex and intricate task and the integration of technological, social and economic requirements, biological necessities, and the psychophysical effects of materials, shape, color, volume, and space. Most design definitions also include planning as a critical element.

Process Overview Service designers must account for the complexity of service resources that must be accessible to the appropriate participants to design the service experience for themselves. Methods that service designers use to address this complexity in particular are service ecologies, experience prototyping, and service blueprinting.

Service ecologies are maps of the participants and entities affected by a service and the relationships between them. Ecologies or mappings of the research findings reveal new opportunities and inspire ideas and they help to establish the overall service concept.

The goal is to enable the designers to better understand the contextual level of the design experience. This understanding is crucial because experience emerges from the activity of persons acting in a setting and is embedded in context and ongoing social practices. A service blueprint allows a company to explore all the issues

inherent in creating or managing a service. There are four aspects to the blueprint namely process identification, isolation of fail points, establishing the time frame and analyzing profitability. This approach has been extended to include opportunities for service innovations that are derived from immersive research.

Service Channels

Although it might appear that physical distribution of products or goods is more tedious, however the presence of a marketing channel is felt even in the case of the service sector. Thus services such as Banks, Hospitals and Education have their own service marketing channel to deliver value. Hospitals need to be established in places where regular supply of medication is available. Fire stations must be able to give rapid access to geographical areas. And at the time of elections, ballot boxes should be properly located to allow easy voting. Services too therefore have multiple channel levels. The same marketing channel system applies to services as well as physical goods.

However a new concept being especially used in the services sector is the Information highway channels. These information highways combine multiple forms of data carrying capacity. Thus service sector channels and their establishment for a service based organization also presents its own challenges.

Service Pricing

There is a great degree of flexibility in fixing the prices. However, there is no assured way of fixing the right price. Pricing services is more difficult than pricing products. This is because the cost of making a physical product can be estimated relatively easily. But it is difficult to calculate the worth of your counsel, the expertise of your employees and the value of your time. However, some of the underlying pricing guidelines can be used in estimating the costs, operating expenses plus target profit which would be helpful in setting the price for services.

Factors to be considered in pricing

When pricing services, there is relatively more flexibility than pricing physical goods. The price of a physical good is more objective. The price of a service is

reputation for overcharging for services. Secondary sources such as the annual statement studies on small and mid-sized business financial benchmarks should be referred to determine whether the profit margin is on target. If the net profit margin for a specific industry is five percent and if a company is getting two percent, then there should be an upward revision.

Different Pricing Models

Now that you understand what it costs you to provide a service, what your competitors are charging and how customers perceive the value of your services, it's time to figure out whether to charge an hourly rate, a per-project rate, or try to negotiate a retainer for your services. This may be predetermined by your industry and the type of service pricing that predominates in your sector. For example, lawyers tend to charge hourly rates for their services, although those rates can vary. Many construction firms charge a project fee and require that one third be paid up front, another third be paid at the half-way point, and the remaining third be paid upon completion.

Charging an hourly rate.

For many businesses, pricing services on an hourly rate is preferred. This ensures that you are achieving a rate of return on the actual time and labor you invest in servicing each customer. Hourly rates are often used when you are pricing your own consulting services, instead of pricing a service that uses labor and materials from others. Your rate should be determined by your amount of expertise and seniority; a more senior consultant will generally be paid a higher hourly rate than a less experienced or junior consultant. It is recommended that one's travel time be included as an extra charge. Sometimes even consultants are asked to price a service on a project or contract basis. That contract needs to factor in clerical support, computer or other services, and overhead expenses.

Charging a flat fee.

In tough economic times, many businesses are concerned about keeping costs down and may agree to hire your business for services only on a fixed-rate or flat-fee basis. Customers want a fixed rate and entrepreneurs want an hourly rate. It's a question of who is going to bear the risk. If a project takes longer than expected to

more subjective so that there is a gray area. And the methods to be considered while pricing a service are explained below.

Cost-plus pricing

This standard method of pricing in business seeks first to determine the cost of making a product or providing a service, and then add an additional amount to represent the desired profit. To determine cost, you need to figure out direct costs, indirect costs and fixed costs. With the cost-plus approach, the thing to remember is that if you're paying someone Rs.11 an hour, you may think you should charge Rs.11 an hour for the service they provide, but you have to factor in all your costs. Those costs include a portion of rent, utilities, administrative costs, and other general overhead costs.

Competitors' pricing

One must be aware of what competitors are charging for similar services in the marketplace, This information could come from published data, competitor websites, phone calls, talking to friends and associates who have used a competitor's services, , etc. If one has to compete on price to win a customer, whether that customer will be loyal if he finds someone offering a service at a lower price. One should establish long-term relationships in the market place. The customer should be convinced that he is given tremendous value in terms of service and quality. One must be aware of what the competitor is charging.

Perceived value to the customer

This is where a lot of the subjectivity comes in when setting a price for a service. When the price of a product is to be decided, keystone pricing may be used. It generally takes the wholesale cost and doubles it to come up with a price to charge and account for the profit. With a service, it cannot be easily done so. To the customer, the important factor in determining how much he is willing to pay for a service may not be how much time is spent on providing the service, but ultimately what the perceived value of that service and the expertise of the service provider. That is where pricing becomes more of an art form than calculating the costs.

Before setting the price for the services a company will provide, cost of providing these services to customers should be understood. The cost of producing any service is made up of the following three parts.

Materials cost.

These are the costs of goods used in providing the service. A cleaning business would need to factor in costs of paper towels, cleaning solutions, rubber gloves, etc. An auto repair business would tally up the cost of supplies, such as brake pads or spark plugs, which are being installed by service people. Cost of the material list is included in the estimate in bidding for a job.

Labour cost.

This is the cost of direct labour hired to provide a service. This would be the hourly wages of the cleaning crew or a portion of the mechanic's salary and benefits while they were providing the service for the customer. It is recommended that a time card and clock should be used to keep account of the number of hours of labour involved in providing each service for a customer.

Overhead cost

These are the indirect costs incurred while providing service to customers. Examples include salary for other people who run the firm, whether administrative assistants or human resources personnel. Other overhead costs include monthly rent, taxes, insurance, depreciation, advertising, office supplies, utilities, etc. It is appropriate that a reasonable amount of these overhead costs should be billed to each service performed, whether in an hourly rate or percentage. One important thing to note is that one should not just depend on figures from last year to determine the overhead costs. Customers should be charged rates that cover the current costs of the service provider including higher salaries to employees, inflation, etc.

Determining a fair profit margin

Once the costs are determined, a reasonable profit margin should be marked up. This should be delicately balanced. A desirable profit margin should be achieved, but at the same time, particularly in a down economy, a company should not get a

complete, you may risk losing money on the client. If you have a customer that insists on a flat fee, you may want to see if they are amenable to putting a cap on the number of hours involved in the project or agree to pay additional fees if the project runs over that time.

Variable pricing.

In addition to determining a fair price for your services, you have to determine whether you will practice a fixed-price policy and charge all your customers the same amount or whether you want to institute variable pricing, in which bargaining and negotiation help set the price for each customer. It is a tough situation to charge different rates to different customers. The exception is if someone comes in and says that they will book1,000 hours of time, you may want to give them a price break for quantity. But in general, charging different prices to different customers will create ill will. People will talk about it and they will find out. One thing a business cannot afford to lose is its integrity and respect among customers.

Monitoring and Changing Price

In a service business, your biggest costs are usually your people costs --salaries, benefits, etc. If you are having a hard time selling services at an acceptable profit, the problem may be that your employee costs are too high rather than the price is too low. You may want to also re-evaluate your overhead costs to determine whether there are other cuts you can make to bring your price down and your profit margin up. Look at your expenses and see where you can cut.

Setting prices

Now that we have looked at what can influence prices, we can consider how to set prices. Once again we must refer back to the organisation's mission and objectives as it cannot set prices without reference to its long term ambitions. In an ideal world, organisations would have full

Information about

- Customers – what would they pay and what is the likely demand?

• Competitors – what are their products, what are their prices and how do they compete?

• The resultant costs, revenues and profits arising from a specific price.

In practice, determining much of this information can be difficult, and again it is worth emphasizing that markets are often very volatile and prices might need to be reviewed and changed frequently. Note that price includes not just the price level itself, but also the use of discounts and payment terms.

The objectives of setting prices include the following.

Setting prices to maximize profits

In theory, and as you might recall from earlier studies, profits are maximised when

Marginal cost = Marginal revenue

In practice, this is almost useless advice to most organisations. Although we might expect a well-controlled organisation to have reasonable information about how its costs move, very few will have sufficiently detailed or stable information about how revenues move, as they are affected by fickle consumers, competitor action and economic confidence.

Setting prices to break even

The break-even volume is given by

Fixed costs/ (Selling price per unit – Variable cost per unit) or

Fixed costs/Contribution per unit

Setting a high selling price per unit will generate a high contribution per unit and this would require a smaller volume to be sold before breakeven point is reached. The company could, therefore, evaluate various options of prices and volume and compare these to what it feels customers might find attractive and what competitors might be charging.

Cost-based pricing

Here the cost per unit is determined and a set amount or a set percentage is added to that to give the selling price. If the forecast volume is sold at the price set, then the forecast profit would be made. However, although useful as a guideline, the method is not sufficient because it is entirely inward looking and pays no heed to competitors or customers. The resulting prices must always be looked at with some skepticism and the organization must assess how those fit in with the market. An inability to make a reasonable margin on sales must indicate that either costs are too high or demand for the product is too weak. Strategically speaking the organization would be 'stuck in the middle'.

Competition-based pricing

By contrast, this approach is entirely outward-looking. It strives to match what competitors are charging and is the only option when in perfect competition. Goods should sell at that price, but there is no guarantee that sufficient profit will be made. This approach, therefore, places high importance on being able to achieve low costs, ideally cost leadership.

Marketing-orientated pricing

In this approach, the organisation attempts to escape from the constraints of perfect competition and sells a product differentiated by features, quality, design, promotion, place and so on. Generally, higher prices are sought and are justified by products better matching a market segment's needs. For example, consider a company which makes agricultural chemicals. In general, farmers will need to buy these in spring, but will get no income from their crops until harvest in the autumn, so farmers have a very adverse cash flow for around six months. Think how attractive it might be if the manufacturer gave farmers payment terms of six months to match their cash flow needs. The prices of the chemicals might be higher than those of competitors, but the convenience to farmers plus the apparent empathy shown with their problems could well outweigh the price differences.

Strategic approaches

It is important to note several ways in which price can be used with more strategic intent, here using the term strategy to mean a ploy.

- ***Price skimming.*** This approach is often seen when new technology is introduced. There are some consumers who will pay a very high price for new products, perhaps because they need them or perhaps because they have more money than sense. After the most desperate, the richest or the most profligate consumers have been satisfied, the price is reduced to skim off another layer. At some stage a longer-term stable price is reached.

- ***Penetration pricing.*** Here, the ambition it to use a very low price to capture a very high market share. Note that this very high market share could well give economies of scale that will allow low costs and hence low prices to be maintained in the long term. In fact, a large market share can be a barrier to entry as smaller new suppliers will have to match, what are to them, uneconomic low prices.

- **Product-line pricing.** Car manufacturers, for example, offer ranges of the same model of car. This enables them to attract customers by advertising 'A Luxury Car for Rs5,00,000' and then often to persuade the customer to move up the range. You can be sure that the additional price on upmarket models will be much greater than the additional costs incurred in making them.

Related product pricing. We have probably all experienced this with inkjet printers. Many of these sell for about Rs.3000 and when you come to renew the ink cartridges you have to pay about Rs.2000. Here the organisation makes most of its profits on after sales services that consumers feel committed to after the initial purchase.

- ***Demand manipulation.*** This is frequently seen in airline tickets and omni bus tickets. Not only are the companies using price discrimination by charging business travellers more for peak-time travel but they are also encouraging others to make use of the services at other, less crowded times. Another example can be seen in air- conditioning businesses which can have a problem meeting demand in summer but have idle staff in winter. They could even-out demand and lower their

costs by offering routine servicing over winter at a discount, or for which payment did not have to be made until much later.

Employees' Role in Service Delivery

Employees demonstrate the importance of creating a service culture in which providing excellent service to both internal and external customers is a way of life. The critical importance of service employees in creating customer satisfaction and service quality is well understood. The challenges inherent in Boundary-Spanning roles are identified.

Examples of strategies for creating customer-oriented service delivery through hiring the right people, developing employees to deliver service quality, providing needed support systems, and retaining the best service employees are provided.

Service Culture: A culture where an appreciation for good service exists and where giving good service to internal as well as external customers is considered a natural way of life and one of the most important norms by everyone in the organization.

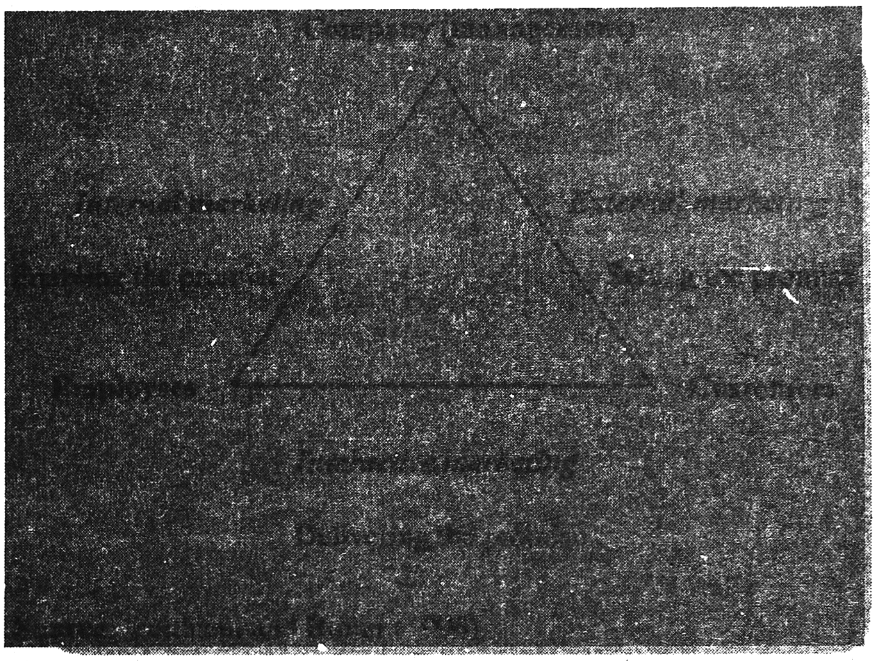
The Critical Importance of Service Employees in the customer's eyes

- They are the service.
- They are the organization.
- They are the brand.
- They are marketers.

Their Importance is Evident in the service Marketing Mix, the service-Profit Chain and the Service Marketing Triangle.

The triangle shows the three interlinked groups that work together to develop, promote and deliver services. These key players are labeled on the points of triangle: the company, the customers: and the service providers. Providers can be the firm's employees, subcontractors or outsourced entities who actually deliver the company's services. Between these points on the triangle, three types

of marketing must be successfully carried out for a service to succeed External Marketing, Interactive Marketing & Internal Marketing.



On the right side of the triangle are the external marketing efforts that the firm engages in to set up its customers expectations and make promises to customers regarding what is to be delivered. But external marketing is just the beginning for services marketers. Promise made must be kept.

Interactive Marketing or Real time marketing is where promises are kept or broken by the firm's employees, subcontractors or agents. People are critical at this juncture. If promises are not kept, customers become dissatisfied and eventually leave. Recruiting, training, motivating, rewarding and providing equipment and technology are extremely important.

Unless service employees are able and willing to deliver on the promises made, the firm will not be successful and the services triangle will collapse. Overall strategic Assessment should be periodically done to evaluate how the service organization is doing on all three sides of the triangle.

An Integrated Service Design Process

An integrated service design and implementation process is key to the success of any service experience. We have found a multidisciplinary effort with a modeling-centric approach to be most effective for service design. The process is explained in the context of the previously described people-centered research model. Though the process as shown is viewed in a linear fashion in practice, it is fluid and iterative.

Some of the integrated marketing services provided are

1. Database Development and Maintenance:
2. Identification of best market segments to pursue and
3. List building and on-going communications campaigns.

Relationship Building and Maintenance through

1. Direct Mail Marketing Services
2. Email Marketing List Campaign
3. Public Relations Campaign
4. Outbound Telemarketing and other proven methods

Internet Services

1. Search Engine Marketing (SEM) - Website Strategy
2. Search Engine Optimization
3. HTML E-mail Marketing and
4. Usage Tracking and Analysis and other proven tactics

Industry Exposure Planning through

1. Trade Show Marketing
2. Trade Journal Articles
3. Press Releases
4. Search Engine Optimization & Pay-Per-Click Adand other proven tactics
5. Print & Multimedia Collateral Creation
6. Graphic Design and Layout

7. Brochures and Flyers
8. Lead Generation Advertising
9. Direct Mail Advertising Campaign
10. Digital Photography
11. Video and Audio Production
12. Newsletters
13. Product Sheets
14. Flyers and Mailers and other corporate communications media
15. Business Plan & Marketing Plan Development
16. Corporate Identification and Branding
17. Corporate Identity Design
18. Product Naming and Due Diligence
19. Stationery and Business Cards
20. Instructional Design and Training Materials and
21. HR Manuals and Forms and other brand services

Writing Services

1. Trade Journal Articles
2. Newsletters
3. Press Releases
4. Advertising & Direct Mail Copy
5. Video Scripts
6. Government Grant Proposals
7. Sales Proposals and
8. Multimedia Programs and more

Customer Retention Programs

1. Mailing and Email Programs
2. Customer Follow-up Calls and
3. Loyalty and Discount Program Development

Building Relationships Through Integrated Marketing Communications

Building relationships with your prospects, as well as with your existing customers is crucial for success in a highly competitive market. The tasks

required to build and maintain business relationships are neither expensive nor extremely complicated, but they do require resources and expertise that may not be available your company.

– What are the strengths?

– Where are the weaknesses?

Specific Service Implementation

– What is being promoted and by whom?

– How will it be delivered and by whom?

– Are the supporting systems in place to deliver the promised service?

When a company pays attention to the service specifications and concentrates on effective service delivery, the customers will definitely be satisfied. This would lead to customer loyalty and will benefit the company in the long run.

UNIT V

MARKETING OF FINANCIAL AND INSURANCE SERVICES

INTRODUCTION

The financial service industry has undergone considerable change since 1991 and this trend looks set to continue with the pure dominance of insurance, personal banking products. ICICI Bank, Citi Bank, Standard Chartered Bank and HDFC Bank have successfully launched their financial products in Indian market with great popularity. Financial products or instruments are basically documents evidencing transfer of funds from saving community, i.e., investors, to the business community, where it can be gainfully employed, on certain predetermined terms and conditions such s rate of return, repayment, schedule, liquidity, and benefits etc. Indian banks are the most profitable banks in the world in 2004.

High involvement of the customer during the purchase of the financial products and the existence of complex financial products will generally take a long time to plan the purchase of financial products / services in India. High levels of brand equity also exist in the market.

CHARACTERISTICS OF FINANCIAL PRODUCT

A) High involvement and long decision making process

Some of the financial services like investment banking or portfolio management of debentures, shares, and mutual funds involve high involvement purchases. Here, the customer takes the best advice or the best offer and will generally take a long time to buy the product, for example with a mortgage or a pension. He will analyse the information about competing brands and products, usually from a variety of sources including advertising, the press, informal advice from colleagues or family and formal advice from the bank manager or a financial consultant.

B) Brand loyalty

Generally, most of the customers tend to stay with financial service providers and use them to satisfy their different needs at various stages in their life cycle. The banks used to target children and teenagers because of the possibilities of future business. For example: ICICI bank advertises about their services to

meet a whole lifetime needs from a first-time mortgage and household insurance for family protection, savings and pensions for old age and even funeral costs cover.

The aim of financial service providers is to retain to customers. The service provider always has to maintain contact with the customer over time whenever possible through e-mail, annual statements, sales follow-ups and so on. Service providers also study the changes in their customers' requirements and offer new services to safeguard the customer's interests in case of financial difficulty. Competition made it every thing happening in Indian market in the recent past.

1. Banking goes wireless

The traditional model of branch banking has undergone a sea of change. Branches have moved on from being primarily service – oriented to sales and service outlets with the focus on cross selling. However, a change in the mindset and focus above is not enough. For the new model to succeed, the front-line employee have to be empowered enough to make important decisions and make preferential offers to customers in an instant. This is would depend on the quality of information that the personal banker at the branch has at his/her fingertips. It is also necessary that the information be standardised across all branches and other direct access channels like ATMs, Phone Banking, Mobile Banking, throughout the country. Customers today have become more demanding and expect 24 hours access to their accounts at the bank through various channels.

In the past, ICICI Bank has joined hands with Reliance Infocomm to launch a mobile banking service. ICICI Bank customers using Reliance India Mobile handsets can now avail of a gamut of banking services free of charge which can be accessed directly from R World on the handset. Customers can view their ICICI Bank account balance, get mini statements and make requests for cheque books. They can also pay bill by direct debit to the bank account. The service also enables a customer to locate an ATM or bank branch. Now many branches follow the suit and service is common.

2. Data Base

The first step was to create a data warehouse that would eliminate the time consuming hurdle of working with various data sources. The warehouse pulls information from different transaction system and customers interface channel, and Centralises it in a single database.

The bank can now know many products a particular customer avails of, how frequently he uses the product, the transaction characteristics and his banking behaviour. The bank can also know the profitability of the customer which critical in offering preferential pricing so that relationships can not only be sustained but every enhanced. The profitable customers are given "Preferred" stating service deliveries and pricing. The bank can be now know which channels the profitable customers use so that it can step up its investment in those channels through 'IT' enabled techniques.

(a) Broad profile of customer of financial services: In financial business, the consumer can be of two types such as

1. Consumer as an individual

For products such as bank deposits, company fixed deposits, UTI units, company shares and debentures, LIC policy, provident fund, consumer durable loans and credit cards, customers can be viewed only as individuals.

2. Consumers as a corporate entity

For term loans from financial institutions, working capital loan from commercial banks, inter-corporate deposits equity by way of shares / debentures etc.

Regardless of limited funds on hand, the Indian consumer today does not mind borrowing. The products bought using credit are Houses, properties, vehicles and consumer durables.

Segmentation

Needs may vary from place to place and from person to person. Hence the practice of segmenting, targeting and position is a must for marketing financial services.

b) Benefits of segmentation

The segmentation process illustrates the following advantages:

1. **Segmentation explores the opportunities**

The segmentation explores the profitable opportunities. While segmenting, the market is divided into different groups and sub-groups and this simplifies the process of studying and understanding the customers in a right perspective.

2. Segmentation helps to frame a workable marketing strategy

According to the changing needs and requirements of a segment the bank develops the marketing resources in tune with the needs and requirements of a segment. The promotional measures and the pricing strategy can be made optional as in aviation industry.

3. Segmentation helps to study the environment

The policy makers generally use segmentation to know the emerging trends in the business environment. They get detailed information about the changing needs and requirements of a segment. The bank professionals transfer the required information to the policy planners, which simplify the process of making a sound policy.

4.Segmentation helps to decide budget

Segmentation helps to plan the budgetary provisions, allocation in the face of changing requirements, optional distribution of funds of different heads and monitoring of expenses.

5.Segmentation helps to build the marketing resources

Segmentation helps to know preferences, needs, requirements, attitudes, and lifestyle and to develop the marketing resources accordingly. The process of innovation is encouraged very much here. It makes the services the promotional measures, the pricing tool and the process of offering more competitive.

Financial Marketing Strategy

The beginning of the decade 1980s brought a significant change in the concept of financial services marketing. The advent of electronic fund transfer system, probably in the late 1970s made possible induction of Automated Teller Machines (ATMs), Direct Deposit of Payroll, Pay be Phone Systems, Point of Sale Systems, credit and Debit Cards, Pre-authorised Funds Transfer and Automated Clearing House.

Hence, it is right to say that automation made possible a transformation in the nature and character of financial services. Thus the new concept of bank marketing assigned due weightage to customer satisfaction. In a true sense, the hallmark of the changed concept aimed at having a full view of customer's needs, fulfilling the identified needs in the best possible manner wilt required services, identification of potential customers on the basis of market segmentation.

a) Creating a brand

Branding and effective advertising are two strategies which can play a decisive role. While branding helps the investor distinguish one product from another, advertising enables the marketer to communicate on the basis information that an investor requires in selecting a particular product. Again, branding is of two types – individual branding which is one-time affair like the Reliance public issue "Khazana" or umbrella branding, the practice of labelling more than the product with a single brand name, e.g., Citibank's-"Citihome", Citimobile" and Lic's "Jeevan Dhara", "Jeevan Akshay" etc. In short, branding can help in creating differentiation between the various financial products. It can create a distinctive identity for the financial product or public issue. Branding can also create some insulation from the competitor's aggressive promotional strategy.

Developing a brand requires a great deal of long term investment especially advertising, promotion etc. It is quite an expensive proposition and hence it is worth while mostly for large public issues or long term plans like a bank's schemes. Nevertheless, the marketers of financial products like ICICI Bank with proper planning and effective management can easily exploit the advantage of branding. A number of factors can be identified, which have necessitated the adoption of an aggressive marketing strategy for such product. This includes:

Growing investor awareness,

Growing number of companies/institutions turning to capital market for funds,

Liberalisation of economy and heavy inflow of foreign capital,

Sudden explosion of Mutual Fund's activities, and

Ever-increasing popularity of equity stock and bonds.

b) Developing the profiles of target segment

Developing the profile of targeted segments is very important before formulation of a promotion package for a financial product. Advertisements are more effective only when the prospective customers are identified and targeted for the purpose of the campaign. In a scenario were new financial products are arriving in the market, and differentiation has become a difficult task, promoting financial products to specific customer groups shall prove to be an effective strategy. We can substantiate this by looking at the success of UTI and LIC

schemes targeted at retirees and working women, etc. In a research done by a company in U.K. on consumer attitudes towards financial products, it was discovered that 5 distinct purchasing desires could be identified against the two dimensions, viz., and 'the importance of money' and' confidence.

Product development or innovation of financial products interestingly requires very little or no additional investment. But the downside is that no brand can boast of a Unique Selling Proposition (USP) for long, as it can be copied immediately.

Marketing Mix for the Financial Services

The marketing mix for the financial services aims to market the financial services and schemes profitability. Generally, the needs and requirements, the likes and dislikes, the preferences, the attitudes, the expectations and the lifestyles remain dynamic. There are a number of factors influencing the process of change.

Innovation makes the ways for perfection, which helps substantially in maximising profitability and establishing leadership. The marketing mix, a combination of different sub mixes, mainly includes the product mix, the promotion mix, the price mix, and the place mix found significant even to the banking organisations. To be more specific in the service providing organisations, the employees looking impressive, smart and having aesthetic sense are found more effective in attracting the customers. In the corporate world, the personal care dimension thus becomes important.

a) **The Financial Product Mix**

While designing service mix, the financial institutions can follow two guidelines, first is related to the processing of product to market needs and the second is concerned with the processing of market needs to product. The needs of the target market are anticipated and visualised and therefore, we expect the process likely to be productive. In second process, the banks react to the expressed needs and therefore we consider it reactive. Normally, every product is measured upto accepted technical standards. This is due to the fact that no consumer would buy a product, which contains technical faults. Technical perfection in service includes prompt delivery, quick disposal, and presentation of right facts and figures, right filing, and proper documentation and so on.

3. **Typical financial products**

a) ***Savings and Recurring Account:*** These are products available only with banks, providing relatively low yield but offer advantage of instant liquidity.

b) ***Current Account:*** Again, available only with banks but can be operated only by corporate and business entities. There is zero-yield from this product. It exists only to facilitate day-to-day company transactions and availing of credit facilities from the bank, if any. It also serves as a reference point to check on credit worthiness.

c) ***Fixed Deposits:*** Banks finance companies make this product available in the market. Currently, the status is that the banks offer the lowest yield on deposits, Companies pay even more and the highest is offered by finance companies.

d) ***Retail Loan*** Products: This covers the grant of vehicle loan, housing loan, personal loan, consumer durable loan etc. Here making the consumer finance scheme more attractive from the point of its affordability is what it sells. Today, possession of a well-known brand of car like Toyota has a reason to satisfy the status and recognition needs of the human self thus helping him to reach the fourth step of esteem needs in Mallow's hierarchy. This facility is available both from banks as well as by finance companies. The effective rate of interest charged being comparably lower in the case of banks against finance companies.

e) ***Commercial Loans:*** This could broadly be split into long-term borrowings (beyond a period of one year) and short-term (less than a period of one year) borrowings. Generally long terms loans are provided by financial institutions such as Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India. Short-term loans, also known as working capital are made available by all commercial banks.

f) ***Leasing and Hire Purchase:*** This facility is made available, both to individuals and firms, by only finance companies. Both leasing and hire-purchase as a method of financing are essentially

provision o credit to the prospective user who does not have the immediate purchasing power to buy these goods but will have the capacity to make periodic payments for the use of such goods for specific period.

Under Hire-Purchase agreement, the finance company lets the goods on hire to the user for a specified period of time. However, the title of ownership lies with the user from day one.

g) **Credit Cards:** Several banks, both Indian and foreign, have moved into the credit business. Also known as "plastic money", it offers the individual an opportunity to buy rail / air tickets, make purchases from shops, have meals and stay at hotels when they need it and pay at leisure.

b) Promotion Mix.

The promotion mix consists of advertising, publicity, sales promotion, word of-mouth promotion, personal selling and telemarketing.

1. Advertising

Advertising is a paid form of communication, which is used as a tool in the promotion mix with the motto of informing, sensing and persuading the customers. The bank executives and policy planners are involved in the process of formulation of a sound budget. The will decide the type of media, as there are a number of devices to advertise, such as broadcast media, telecast media and cyber and print media. Generally, the telecast media is very much effective but it is found expensive too.

a) Importance of Word-of mouth Promotion

A satisfied customer will inform his friends, relatives, or other well wishers about the excellent services of a particular bank or the outstanding a particular scheme, the process of influencing the impulse become effective. When the friends communicate to us their positive feelings about the services of a particular bank, we trust them blindly.

The bank professionals have identified the persons to be included in the list of word-to-mouth promoters. The banker must explain to them the new schemes to be launched in the market.

2. **Personal Selling**

The personal selling is a process of communication in which an individual exercises his/her personal potentials, tact, skill and ability to influence the impulse buying of the customers. Since we get an immediate feedback, the personal selling activities energize the process of communication very effectively. Personal selling provides a one-to-one communications vehicle, which can be customized to provide the right volume and complexity of information for each potential customer.

As personal selling is individual based on his/her expertise, it attempts to transform the prospects into customers.

3. **Sales Promotion**

The banking organisations – make provisions for incentives to the bankers and we call these bankers' promotion. Normally, these incentives include the gift, contests, fairs and shows, discount and commission, entertainment, and traveling plans for bankers, additional allowances, low interest financing and so on.

4. **Multi channel distributions**

The technological aggression has resulted in new modes of distribution of banking provides. Today consumers have various options to choose from Banks are trying their best to acclimatize customers to the new products and facilities in anticipation of reduced costs and ease of operation and flexibility for the customers (A transaction cotsRs.35-45 if done with physical presence of the customers at a branch Rs.7 through a cheque and Rs.2 on the internet). These new creation have resulted in different channels of distribution of banking products and service.

In India there are around 20,000 ATMs and if they continue to grow at the current pace, there will be around 75,000 by the end of the year 2009. The cash movement through ATMs is Rs.35000 to 45000 crore each year.

a) Call centers (Support Service)

Banks Like ABN Amro, ICICI, Citi Bank picked up the ultimate customers and separated the sales and service functions. With call centers services are being offered by stimulating customer interaction. The initialization of such call centre services was much appreciated with such huge database, calls are being guide up, causing irritation to high waiting time, Banks have two option before them.

With the help of technology banks can redefine the acceptable waiting time of callers (customers) before they terminate the call for want of service from tele-executive, towards improving the service levels of the banks.

b) Role of Technology

Technology is seems to be the cutting edge among banks and also brought real differentiation among the public and private players with increasing emphasis on technology, banks try to cross selling their products through various channels. The cost saving and the ease of effecting a transaction through technology are recognized and are compelling banks to carry the same to all the dimensions of banking.

Incidentally, the more advanced the technology, the higher the cost savings generated with much wider coverage resulting in quicker, cheaper and reliable service.

INSURANCE SERVICES

The life insurance market in India is highly concentrated in the hands of the Life Insurance Corporation LIC) which held 92% of the market share in the year 2002-2003.

The new players in the life insurance sector have been successful in eating up a reasonable share of LIC with ICICI prudential emerging as a clean leader.

One of the main objectives of insurance business is to satisfy the maximum possible potential policyholders. Generally, insurance and financial institutions depend on rural savings and channelisation of investments.

Life Insurance

Insurance is a contract, which provides financial risk coverage to the insured for any adverse events. It plays a vital rôle in the lives of most people as a means of dealing with risks which they face and as a means of savings. Insurance, in any economy, is regarded as a pillar of growth and works as a catalyst in the overall development of the economy. As the economy grows the living standards of the people also would increase. Consequently, demand for life insurance increases.

Today, the insurance organisation understands the changing needs and requirements of the rural sector and to design services / schemes accordingly. To promote investments and savings, priority must be given to the industrial sector or

the corporate sector. The insurance professionals have to study the needs and requirements, of a segment and design an optional marketing strategy.

a) Indian life insurance industry.

The Indian life Insurance has seen a remarkable shift since the time of the establishment of first company, Oriental Life Insurance Company (a British firm) in 1823. Compared with a total of 245 insurers (154 Indian insurers, 16 foreign insurers and 75 provident fund societies) who were carrying on the life insurance business in India at the time of India's Independence in 1947, the country today has 13 players in the Life Insurance segment. The change in this profile has been mainly because of various Acts, reforms and legislations which have been passed over the years and the final boost coming up with opening up of the Insurance Sector for Private Players.,

b) Demand drivers

1. Economic Development – The demand for insurance trend to increase with increase in the per capita income. The level of spending on insurance directly depends on the level of disposable income in the hands of an individual.

2. Declining interest Rates – The declining interest rates in the economy make it all the more necessary to start saving early to ensure long term wealth creation. Today's consumers are increasingly interested in products to build wealth and provide for retirement income. In terms of returns, insurance products today offer competitive returns ranging between 7% and 9%. Besides returns, what really increases the appeal of insurance is the benefit of life protection from insurance products along with health cover benefits.

3. Growing Consumer awareness: Earlier insurance products were viewed as only savings instruments. However, over the past few years insurance consumers are looking at Insurance as a complete financial solution offering stable returns together with total protection.

4. Education - Increase in literacy levels also influences the demand for insurance products. Educated people understand the need for insurance better and would help in the demand.

c) Insurance marketing mix

1. Product Profile

Life Insurance products are mainly designed to provide funds to a survivor, family or business in the event of the death of the insured.

There are two basic types of life insurance policies: term insurance which provides coverage for a specified period of time (the term), and endowment insurance, which combines a death benefit with a cash value component. The endowment insurance offers lifetime protection, while term insurance may be most affordable option for buying life insurance mainly for the financial protection it offers and when the need for the insurance is temporary.

a) Major Lines of Life Insurance Business

The most important lines of business in terms of both revenues and profits are individual life and group annuities. Individual insurance accounts for almost 90% of the premium.

b) The Product Mix – Quality Standards

The product mix for the insurance companies refers to the different schemes of the insurance organisations The products portfolio must contribute a reasonable return to the users for their investments. By efficient performance, the insurance oganisations can maximise their profitability, and provide profitable return to the users. While designing the product mix, the insurance organisations have to promote innovation and in the product portfolio include even those services and schemes which are likely to get a positive response in the future.

The insurance companies have to design new policies and schemes with a sound package that proves to be more motivations. At present the insurance organisations are offering there service mix at internationally competitive rte. The insurance organisations are now concentrating more on the innovation of product strategy taking into consideration of the following points.

1. Innovation

The professionals have to design the product mix consisting of innovative product strategy. The Strategies adopted by the foreign and private insurance companies should be taken into consideration while initiating the innovation process.

2. Profitability

The insurance companies have to collect required information with the changing level of expectations of prospects so that the firm makes the profit portfolio more viable in the market.

3. Product Package

The insurance business is based on a mutual and basic desire to protect the loss of one's property and loss due to death of an individual. Thus an insurance product is also called a bundle of utilities consisting of various product features and accompanying services. When an individual or a company buys a policy, they not only buy the policies but also the agent's assistance and advice, the prestige of the insurance organisation, the facilities of claims and compensations. The General Insurance Company offers policy through agents, consultancy services to the subsidiaries, reinsurance etc.

MARKETING OF HOSPITALITY INDUSTRY

Hospitality, Travel and Tourism as a service industry comprises of several allied activities which together produce the hospitality and tourism product. The major players in the industry are (a) tour operators and travel agents (b) accommodation sector (hoteliering and catering) and (c) passenger transportation.

According to international estimates, a tourist spends 35% of his total expenditure on transportation, about 40% on lodging and food and the balance 25% on entertainment, shopping and incidentals. Tourism is considered as one of the fast growing industry in the world and India it is the largest contributor to our Foreign Exchange Resources.

The core product offered by most hotels is the same, by differentiation augmented and tangible product levels, the service may be enhanced in cost effective ways to make more attractive to its target markets. Differentiation and competition, therefore, takes place largely at the augmented product level.

Indian hospitality industry

The Indian hotel industry derives around 65% of its revenue from premium segments which has share of just 25.82% in terms of number of rooms. Due to the huge inflow of tourists and outsourcing boom the occupancy rates, Average room Rates and Revenue per available room across major cities in India are increasing. As a result of this the demand supply mismatch is getting closer. Indian hotel industry is fast adopting the technologies such as wireless, online reservation system and Customer Relationship Management (CRM) like in the west.

In terms of profitability and occupancy, Bangalore ranks first followed by Delhi and Mumbai.

MAJOR INDIAN HOTELIERS

1. ITDC

The contribution of India Tourism Development Corporation (ITDC) to the hotel industry is found impressive, as it has been successful in minimising the constraints aggravated due to the private investments. The Ashok Chain is the largest hotel chain in India which is run by the ITDC, a public sector undertaking. Its new proporties are "Kanishka" and "Samrat" in Delhi. Originally, the name of the chain was "Ashoka" but now it is "Ashok".

2. Indian Hotels Company Limited.

Indian Hotels Company Limited currently owns and manages around 52 properties in India and 12 properties worldwide. Spread across length and breadth of the country the company's presence spans the entire gamut of the market across different segments – business, leisure, luxury and from its inception it has enjoyed a position of leadership in all the segments. It is renowned for providing world-class personalized service to guest, even as it retains an old world charm by upholding the traditions and heritage of India.

Taj group of Hotels have spanned the length and benefit India leaving its mark on important industrial towns and cities, beautiful hill stations, historical and pilgrim centers and wildlife destinations. Today group has won international acclaim for its quality hotels and its excellent business facilities, services, cuisine and interiors.

The world over Taj Group of Hotels is grouped into strategic business units to get consistency in different units in the same brand and standardise the product and across the brands, making them distinct and identifiable-luxury, and business leisure.

a. Taj Luxury Hotels.

The Taj Luxury Hotels encapsulate the essence of the Taj experience in the main political and commercial cities of India. They maintain the standards in all the services they offer. With exquisitely appointed room modern comforts, these hotels offer the finest standards of hospitality and standing testimony to the quality of service. A number of the Luxury Hotels of Taj Group are members of the Leading Hotels of the World.

b. Taj Business Hotels

Located in the heart of India's key commercial towns the Taj Business hotels provide every modern facility at particularly attractive room rates in international style. These hotels meet the growing need in many cities, which are industrializing and expanding. Business Hotels offer multi culinary restaurants and the best business facilities in the city. Vibrant and progressive, they retain the warmth and spirit of India. They anticipate that a significant portion of its long-term growth will concrete the expansion of Taj brand and is actively seeking ways of strengthening and expanding this brand.

c. Taj Leisure Hotels

At the Taj Leisure Hotels, pleasure seekers, the curious and those simples to get away from it, all can do just that. These properties include idle resorts, genuine places, turn-of-the-century garden retreats and hotels close to historic monuments, places of pilgrim and some of India's sanctuaries. The Hotels are exquisite 18th century monument replete with domes, terrace pillars and archways built in the true royal Rajput style, characterised by uniquely appointed, spacious rooms, with exquisite decor. The Taj Resort Hotels are more than just delightful rooms by the sea.

The Group has also identified the lower and budget hotels as the segment for immediate investments. The company plans to invest around Rs.800 crore over the next three years in 17 new locations. Many of these projects will be developed at mini-metros as budget hotels. The group is currently involved in the development of seven hotel projects entailing a total investment of Rs.370 crores.

3. The Oberoi Group of Hotels

The Oberoi Group is one of Asia's leading hospitality companies. Founded in 1934, The Group owns or manages 34 luxury and first class international hotels in six countries. The Group is also involved in Airline Catering, Airport Bars and Restaurants, Delicatessen Products, Travel & Tour Services, Corporate air Charters, Limousine Services and Project Management. The Market capitalisation of the flagship company of the Group, the East India Hotels Limited, currently exceeds US$700 millions.

The Group employs over 12,000 people worldwide. Training is a particular strength. Set up in1966, The Oberoi School of Hotel Management, which is now known as The Oberoi Centre of Learning & Development, is considered as one of

the best in Asia, providing high quality, professional training in hospitality management.

The Group has an international sales and marketing network with sales offices in New York, London, Sydney and several cities within India. Hotel reservations can also be made through Oberoi's central reservation system globally. The Group has invested in development of five deluxe Oberoi resorts in Indonesia, Mauritius, India and Egypt.

4. Welcome Group of Hotels

The Leela, Mumbai and The Leela Palace, Goa are two of the best hotels in India. They have also won considerable international acclaim for the last ten years. Founded in 1957 by Capt. C.P.Krishnan Nair, the Rs.350 crores Leela Group is engaged in the business of ready-made garments and luxury hotels and resorts.

Behind every institution, lies the vision of an individual. In Capt. Nair's case, this vision has flowered, given his unshakeable belief in India's ability to compete with the best in the world.

The Mumbai-based Leela group is involved in four projects of Rs.420 crores in 1999-2000. These Hotels are coming up in Bangalore, Udaipur, Hyderabad and Mumbai.

Tourist Segmentation

The tourism market can be segmented by using variables like (a) age group (b) number of trips taken per annum / seasons (c) income and education and (d) purpose of the trip. In contrast to the first three, last variable i.e. purpose of the trip has been fairly extensively used by the major players in the tourism industry – hotels, tour operators and travel agents and airlines. Using this criterion segments have been identified as travel for business, vacation, convention, personal emergencies, visits to relatives and other types.

Tourism marketing strategies

The basic objectives of tourism strategy, just like in any other marketing – endeavor are to match the firm's strength with market opportunities, to avoid environmental and competitive threats and to overcome weaknesses in operations and organizations. In addition to the selection of media, an important decision is the formation of catchy advertisement slogans. The sensitive messages have been found effective in throwing a telling on user's psychology.

Brand Recognition: A well established brand name assumes great significance especially when a hotel is targeting high yield business or foreign clientele. Some of the companies in the Indian hotel industry are planning to enter key gateway cities like Shanghai, London, New York etc.

Yield Management: This is very important tool used in industries consisting of perishable assets and hotel industry is one among them. Yield management is used in maximizing profits from the safe perishable assets, such as hotel rooms, by controlling prices, inventory and improving services. Yield management in hotel industry is a combination of information, historical and current with policy supports, procedural supports and statistical models to enhance a hotel's ability to carry out a number of common business practices and thereby increase both its revenues and its customer service capabilities. Thus companies operating in its industry need to have proper yield management practices to enhance its revenues and profitability. Airline industry operates successfully by practicing yield management techniques.

Differential pricing: Hotels in India typically offer discounts on published room tariffs to many clients. As a result, though the occupancy rate of these hotels increase, the ARR does not increase proportionally. However, the magnitude of discounts varies depending on the nature of the client location and size of the hotel. Furthermore, in the dual tariff rate system, there is a domestic currency rate for local travelers and a dollar rate applying to foreign travelers. Hence, there is need of a common yardstick for tariff rates.

EMERGING STRATEGIES FOR HOSPITALITY INDUSTRY

Strategic Intelligence System (SIS)

The new approach to the dynamic nature of tourism in the new Millennium is SIS. It is defined as selection, gathering and analysis of information needed for strategic planning. Data will be classified as defensive, passive and offensive intelligence. Passive intelligence concentrates on benchmark data for objective evaluation like Business Process Engineering.

Offensive intelligence focuses on new business opportunities and defensive intelligence cycle decides what information is needed, what priorities should be established and what indicators should be monitored. Generating data and keeping intelligence surveillance on line enhances the quality of decisions

making. This approach will put India ahead of its competitors like Srilanka and Maldives in the global tourism market.

Re-engineering Human and Non-Human Resources

For managing the system effectively and efficiency it is necessary to empower the employees by way of education, training and motivation. It will foster employee's involvement, excellence, stability and customer orientation. It is apt to utilize latest management tools and techniques especially in the area of financial management. The concept of re-engineering is an emerging corporate tool used in services sector. As applied to tourism service, some of the salient features of the process or re-engineering are:

Customers as the focal point Build quality from outside in identifying and satisfying customer expectations is the foremost objective which is kept-in-mind while designing / redesigning the jobs and organisational structures.

Work process design: It should be done in accordance with the organisational goal, i.e it should be more customer focused. It leads to the development of positive attitude to staff towards the customers and subsequent breakdown of departmental distinctions so that quality (and customer care) is every body's responsibility.

Restructuring to support front-line staff The organizational restructuring is done in such a way that the front-line staff of Hotels / Restaurants gets strengthened as a result of re-engineering. 'Work teams" are built to support customer service professional. It results in better design jobs, which have increased accountability, greater skill requirements, takes variety and clear customer focus.

Real Time Tourism Marketing / Customized Marketing is an important concept in the Area of Strategic Marketing

The major requirements of a Tourism organization in the 21st century are to identify customer's unarticulated needs, and design service products for each and every customer in the world. Following are the four key requirements for achieving success in this domain.

a. Identifying direction and pace: Development of future service products must be based on regulations, technology, demographics and customer lifestyle which are not constant.
b. Avoiding comfort of present tourism product – market scope: Successful companies are able to see the future beyond their current

product – market scope and examine continuously how best to leverage combine their core competencies to develop new service products of new functionalities of existing products to exploit unexplored competitive space.

c. Focus on new niches and giving customers more power: The tourism attractiveness in every product category is being split in to niches that reflect the wishes and needs of individualistic people and organization. The process for search for new destination products for various niches, so identified, must include the genuine desire to help customers in their search for what they feel to be important or valuable.

d. Creating the right organisation: Commitment and culture provide the context in which tangible and intangible resources of a firm get instantly and optimally configured to meet requirements of foreign tourists aspiring for new values.

Success in achieving high quality tourism products and services depends on finding out which dimension of tourism attractiveness and service quality drive customer satisfaction. Tourism marketing professionals must have the experience and skills essential to analyse customer satisfaction.

MARKETING OF EDUCATIONAL AND PROFESSIONAL SERVICES

Education as a service is said to fulfill in the need for learning, acquiring knowledge – providing an intangible benefit (increment in knowledge professional expertise, skills) produced with the help of a set of tangible (infrastructure) and intangible components (faculty expertise and learning),where the buyer of the service does not get any ownership. He may have tangible physical evidence to show for the service exchange transactions but the actual benefit accrued is purely intangible in nature.

BASIS OF CLASSIFICATION OF EDUCATION SERVICES

The justification for aligning education with marketing is on the ground that the educational institutions are made financially self-sufficient. The programme of expansion can be implemented in time as the educational institutions prefer to generate internal resources for that purpose.

The main aspect in the education service in India today is availability of world class services to the users. This is made possible only when educational

institutions offering suitable product mix, keeping in view the changing, socio-economic requirements. They need to adopt a pocket-based pricing strategy in which no-income group would get free of cost services, low-income group would be made available cost-based services and the high-income group would be made available cost plus subsidy based services.

By its very nature, education is essentially a people based service though some service delivery systems may make heavy use of technology and equipment. Service has also been classified on the level of personal contact as low contact or high contact services. Recent developments in open and distance learning systems have successfully countered the challenge of constantly maintaining high level of contact by creating specialized kinds of user friendly course material and using multi-media and web based technology to gain access to students.

Intangible service

- Education cannot be seen on touched and is often difficult to evaluate. It is therefore, imperative to build in "service differentiation" in the best product to enable competitive positioning.
- Precise standardization is difficult. Science programmes, Management Diploma and degree programmes across universities and colleges, it is often difficult to bring about standardization of course design, as resources, needs and objectives of different institutions may differ.

Institutions like Universities try to manage equivalence in standards through Boards of studies. The lack of standardization also opens up the marketing opportunity of creating highly differentiated, need based course packages.

This feature implies that course designed or developed at one institution can be replicated and offered at other instituted.

Perishability

Service are perishable and cannot be stored. Teaching institutions where face to face teaching necessitates simultaneous production and consumption. Open and distance learning systems which make substantial use technology have made it possible for production and consumption of the service to be carried out at differential time.

As well as education, as an unutilized service like a course on offer, or a lecture scheduled to be delivered, cannot be stored, if there are no students enrolling for the course or to attend the lecture.

Perishability necessitates that a better match between supply and demand for educational packages need to be made.

Inseparability is the need for the presence of the performer when the service is to be performed and consumed. The transformer of knowledge is directly from the provider to the learner. However, open learning systems have overcome the characteristic of inseparability of incorporating the teacher into the material and bringing about a separation between the people, the producer and the service. For example, country wide classroom of UGC from different institutes vastly differ from each other. Even though standardization of courses according to some prescribed norms may be attained, it is difficult to 'standardise' individual performance i.e., that of the resource person.

Marketing Strategy employed for Educational services

The dominantly intangible nature of education service may make the consumer's choice of competitive offers more difficult.

In case of delivery systems where the performance of the service demands the presence of the instructor, marketing of education would need to be localized and offer the consumer a more restricted choice and perishability may add risk and uncertainty to the marketing of education.

Three distinct elements, which along with the basic offer go into the creation of the augmented service product as components of the perceived service process are accessibility of the service, international interaction with the service organization and consumer participation.

Taking the example of a Technical Education Institute, accessibility of the service would depend upon the number and skills of the persons associated with providing the core, facilitating and supporting services, exterior and interior of officers, classrooms, facilities, tools, equipments, study materials, the number, quantity and aptitude levels of students involved in the learning process.

The interaction between the service provider (the institute) and its customer can be in terms of interaction with resources faculty, Interaction with other service interfaces, Interaction with the physical environment, Interaction with accessory

service system, Interaction between students and Interaction of the various sub system with each other and total educational package offer

Nowadays, industrial visits, guest lectures, industry projects, internet based pedagogy and exercise and placement are viewed as critical success factors for a management or engineering institute.

Pricing the educational offer, typically represented as 'tuition fees' is subject to certain constraints and characteristics, which are normally regulated by the government.

Differential pricing, based on the consumer's willingness to pay may also be utilized for the education service.

COMPUTER EDUCATION

Computer education is growing everyday and it is recognized as the best catalyst to change the life of people. With the introduction of computers in modern office environment and the popularization of Internet are helped computer to popularize this service. The number of internet users has increased substantially over the years and currently it crossed 18 millions in India.

There are a number of Government and Private Institutions offering computer education. So when people learn to use the computers they are benefited in so many ways. In recent days, enrolment of women in computer education is on the rise. A lot of institutes are providing computer education in India. Major players are NIIT, SSI, Radiant, CSC, Pentafour, and Pentamedia. A Government Undertaking CMC Limited is also providing good education to people. Number of new computer institutes is emerging with latest technology in computer education.

The major internet service Providers (ISP) like VSNL, MTNL, SATYAM ONLIN,E MANTRA ONLINE, and many ISP firms provides Internet. In the Internet as many as 50 millions sites are available which consists of popular websites for education, entertainment, business, communication and other services. The brands, which has captured IT Industry, are INFOSYS, HCL and WIPRO.

The dotcom companies are the new breeds in computer education. The dotcoms provide useful information for several problems. Some of the popular dotcom companies yahoo.com, google.com, rediffmail.com, naukri.com,

prizedjobs.com, Indiaproperties.com, mtexet.com, itnation.com, easydo.com, jobshed.com and many others.

The Target Group

The target group to computer education is mostly the students and executives of all ages. Students of primary educations, secondary education and higher education are learning computers, besides corporate executives who are working during odd hours. Nowadays all schools are having the advantage of computer courses in their curriculum. Mostly the target group for computer education will be in the range of 15 to 25 age group.

Product

Here the product which is offered by various institutes in courses like Java, C++, Oracle financials, ERP modules. Franchising has become popular among the institutes offering computer education. The popular institutes like NIIT, SSI, Radiant and Pentasoft have set up franchising centres in several places in India by providing the infrastructure and sound business solutions to withstand the existing competition.

Price

The cost of computer education has increasingly become more when people came to know about application of computers and Internet. Few institutes offered free computer education during their launch. The price factor has a sensitive and significant role in selecting the computer education institutes by the customers. The price revised frequently attracts people to join the computer courses without much hesitation. The cost of computer education has lowered a lot in the past and the market is nature. Now we can ses only few service providers with constant price cutting.

Promotion

The organizations providing computer based education are spending a lot of money in promotional activities to attract students in a better way with free discounts, offers and other schemes. Everyday they post of a lot of advertisements in newspapers, magazines, outdoor, web, print, ratio and television. People are attracted to join computer courses based on the publicity and celebrity of a particular institute. NIIT widely use their brand ambassador International Chess master Viswanathan Anand.

Place

A lot of institutes have come up in India to provide world class IT enabled educational service. In metropolitan cities computer educational has grown to its peak point.

People, Process and Physical Evidences are the elements of extended marketing mix of a service organisation.

Various institutes like NIIT, CSC etc. put well trained and qualified people into operation. Generally, BE computer Science / MCA qualified personnel are working in the field as faculty, programmer, system or data administrators.

Physical evidence includes the number of institute trained personnel working in the industry. Usually all computer institutes will have superior interior decoration, building and parking space.

The existing IT field offers a log job satisfaction, a great earning potential, favourable promotional prospects and endless possibilities for travel around the globe. The term IT professional ecompasses hundreds of specialities, from the design and programming of computer systems, through testing, maintenance and support; training of users; and software or hardware sales. One can choose to work exclusively with software, hardware, or application development.

STATUS OF MANAGEMENT EDUCATION IN INDIA

India's first management school, "Indian Institute of Social and Business Management" was established on in 1954. It was followed by Indian Institute of Management at Calcutta (1961), established in collaboration with Sloan school of Management and Harvard Business School, respectively. The year 1970 witnessed the development of IIM Bangalore, IRMA and the entry of a host of private funded business schools.

MARKETING OF PROFESSIONAL SERVICES

Professional services such a accountancy, consultancy, Indian Medicine and the law coupled with the software exports make up a substantial proportion of the service economy.

Professional and IT services encompass a wide range of activities but they are associated with certain features.

Characteristics

Professional service providers are highly trained and knowledgeable in the complex specialist area of expertise. They will hold qualification and accreditations within their field of expertise; entry into the field is not possible without the appropriate credentials. Typically, membership of a professional society or governing body is also required. Professional services are sold to individual clients – either business or private – on a confidential basis. The service is tailored to meet client's needs.

There are several clear reasons why professional service organizations should embrace marketing:

- To understand client needs and wants
- To develop and operate the most appropriate service offerings to meet those needs
- To communicate the offerings to the clients and attract their interest.
- To enhance service quality, thus ensuring client satisfaction and good will and also building the organisation's reputations.
- To create the room for sustainable / rapid growth

MARKETING OF HEALTH CARE, CELLULAR, AND ENTERTAINMENT SERVICES

Hospital is an integral part of a social and medical organization, the function of which is to provide for the population complete health care both curative and preventive and whose out-patient services reach out to the family in its home environment; the hospital is also becomes the centre for health education and training for community medicine and bio-social research.

MARKETING OF HEALTH CARE PRODUCTS

The marketing of healthcare products and Super Specialty hospitals paves avenues for initiating qualitative improvements on the basis of time-honoured managerial decisions. The term hospital connotes applications of marketing principles in a formal social institution with the motion of enriching the potentially of hospital organizations for making available to the society the best possible services. In plain words, the hospital marketing is a managerial approach

to design and plan everything in a hospital with the motto of serving user's interests.

The application of marketing principles in the hospitals may deliver goods to the society and also ensure their financial viability. The product or the services in a hospital differ from one hospital to another. However, there are three categories, e.g. line services, staff services and auxiliary services. The line services include emergency services, out-patient services, in-patient services, intensive care unit and operation theatres.

The supportive services are central sterile, diet, laundry, laboratory, radiology and nursing. The auxiliary services are registration and indoor case records, stores, transport, mortuary, dietary, engineering and security. The users of the medical services demand quality services or treatment. The technological innovations like laser technology based operations (operate the human body even without making any scratches or insertions in the skin) and telemedicine have added latest services in the field of medical science.

The consumer spending on health in India is predictably quite low. This is partially because of free medical services provided by the government but also due to lack of awareness and level of importance given to health care. During the recent past, a lot of private nursing homes, diagnostic centres and specialty hospitals have come up in urban areas, mainly for middle and high-income group people.

The last decade has also witnessed the emergence of 'Corporate Hospitals' in India. Apollo Hospitals, (Rs.10.24 crore public limited ventures opened at Madras on September 18, 1983) has the distinction of being the first corporate hospital in the country. Medical care is now emerging as a big industry in the private sector. Currently, the Apollo Group has set up a huge (approximate Rs.100 crore) multi specialty hospital in New Delhi and has entered into many South East Asian countries. It is holding a network of 1000 super specialty doctors and 50,000 beds and has emerged as the second largest hospital chain in Asia.

Characteristics

Health services are highly intangible and which cannot be tested or examined before consumption. Consumers the patients may not have the requisite knowledge to verify and evaluate the quality of the service provided by a doctor. Due to limited educational background and low awareness of health care issues, a

majority of the consumers (patients) are not knowledgeable to evaluate service quality.

Degree of Variability

Health services are subject to a great degree of variability. There are variations in service performances offered by providers, employees depending on skills, moods, etc. The various diagnostic procedures are also not standardized. The variations in service provided depend on the affordability of the patient and reputation of the hospital / Expertise.

Inseparability

Generally, health services are characterised by inseparability, which means that the consumer has to play an active role in receiving service of good quality. In health care services, the consumer plays a subordinate role. Health care service is in many ways, different from other services and products.

Health Service Quality

World-of-mouth plays an important role in setting the platform for ascertaining service quality. Therefore, satisfied past patients of a hospital can bring more number of patients to that hospital than a number of advertisements. In this context, healthcare organizations competing in such high pitch market have to take all possible measures to provide quality service consistently.

1. **Tangibles** : The physical facilities, equipments, personnel and communication facilities.
2. **Reliability** : The ability to perform the promised service dependably and accurately.
3. **Responsibilities:** The willingness to help patients and to provide prompt service.
4. **Assurance** : The knowledge and courtesy of employees and their ability to convey trust and confidence and
5. **Empathy** : The provision of caring, individualized attention to patients.

HEALTH CARE MARKETING STRATEGY

The Health Care Industry in India is becoming more competitive. This has necessitated each hospital to identify and develop advanced function or service which can provide a competitive edge. As a result many health care providers are now recognizing the importance of brand building. The major reasons necessitating a shift towards marketing approach in India are:

- Intense competition and very high customer expectations.
- Enhanced consumer knowledge, quality of service and medical awareness.
- Emergence of hospital chains, managed hospitals and super specialty hospitals
- Enhanced purchasing power and health consciousness and
- Focus more on the service of specialists and expertise.

Health care is a noble profession, which cannot be left to 'profiteers' and quacks and therefore, health care must be sold professionally by a professional. Healthy people represent a healthy nation. It is necessary to do their level best. Resources compel them to open the sector for private players to take up more initiatives. So competition prevailed in the sector brought the best services. The goal for modern hospital chains should be to provide world class medical services to every patient at the affordable price that too in a unique manner.

a. Positioning the service

Effective segmentation and positioning are the key to the success in health care marketing. Many hospitals emphasize sophisticated specialty care, it is seen that maternity patients are most profitable. Some other health care providers target their services to older individuals. This segment consists of individuals aged about fifty years.

This segment is growing faster and it offers an opportunity to the healthcare providers as this group is responsible for more patient days than other segments. Some health care chains are focusing on the institutions. Public and private sector companies are becoming more professional and are proving better perquisites and amenities to their employees. Many of them have responded positively to the proposals put forth by the hospital chains in providing health coverage and other medical facilities.

One factor that is likely to have a significant impact on the health care scene is the growth of hospital chains such as Apollo Hospitals, Birla Health Centres, etc. Artificial heart transplants and other complex operations although are few in number but generate a significant portion of the total revenue featuring services used in advertisements.

They help in generating word-of-mouth which health care providers are actually interested. These companies are spending a lot in corporate advertising for image building. Branches of big hospital chains which will proliferate in cities and towns would compete with the local professional clinic.

b. Healthy customer care practices

To understand the patients better, the Apollo Group of Hospitals have a number of in-built systems, which keep a finger on the pulse. In a hospital, they had adopted the following system:

1. Every patient is given a feedback form, which measures his level of satisfaction in patient areas. All patient complaints are sorted out as soon as possible and the management regularly reviews the action taken in various areas. Senior officials including the Chairman, visit patients everyday as an example of Management by Walking around (MBWA). Complaints / suggestion boxes are placed all over the hospital in order to encourage patients and their relatives to make their opinions known.
2. The Guest Relations officer is primarily in-charge of complains and suggestions. This office receives and handles regular suggestions regarding improvement of services. Attempts are made to solve the problem on the sport and regular reviews carried out.
3. A detailed study is carried out periodically with patients about to be discharged. About 150 patients are studied every six months. The idea of such periodical surveys is based on the facts that patient's needs keep changing. Since the hospital tries to solve problems immediately, the nature of problems also keeps changing. This is kept in view while constantly trying to improve and enhance the quality of care.
4. The Facilitation Desk, which is manned right through the day, provides an additional channel for patients who seek information, directions and redressal.

5. There is an Advisory Committee of opinion leaders from the community, who meet once in two months and keep the management informed about what the community feels about the hospital. Opinion was received that some of the hospital employees do not respect the privacy of the patients. A special programme was organized to ensure that all the employees knock at the door before entering.

c. Health care promotional mix

Hospital marketing, the promotion strategies also need a careful approach. It is surprising that users lack information regarding the nature and types of services made available in a particular hospital. The advertising and publicity would raise the demand for many special services. Promoting medical services, the advertising and publicity strategies are expected to communicate all the related information. The fees charged the available boarding and lodging facilities for the attendants, the transportation and communication facilities etc.

This helps hospitals in rationalizing the services minimizes inconveniences to the patients and attendants. The health consciousness or nutritional awareness is also required to be included in the promotion plan of hospitals.

The channel for the distribution of services also occupies a significant place. The behavior of doctors, nurses and the public relation officers or receptionists are found more sensitive particularly with the viewpoint of raising the standard of services. Like other services, the medical services also need improved research and training facilities, specially to the staff directly concerned with the patients and attendants. The application of marketing principles would pave avenues for rationalizing the services, standardizing the offering and optimizing the fee structure. This would open doors for channelizing the services through IT enabled techniques and practices.

The growing rate of industrialization invites multi-prolonged health hazards like diabetes and high blood pressure. Lack of nutritional awareness and inadequate health education further aggravate the magnitude of problems. A new approach, a new strategy, a new policy and a new concept has emerged for managing the not-for-profit making organizations, specially the hospitals.

The promotion in healthcare marketing has to be extremely limited because of the professional ethics of doctors. The promotional goals of hospital marketing comprised of:

1. Informing and educating the public about the various services available particularly in preventive health (for diabetes, heart disease)
2. Organising personal and formal meetings to discuss the services.
3. Persuading new consumers for trying modern medical services.
4. Educating the consumer regarding various services available to them and its economical and efficient usage.

One of the successful promotional programmes of Apollo Hospitals has been the cardiac screening programme when the emphasis is a preventive medicine and the services were offered at 50% of the usual cost. This has been one of the popular and high profile campaigns ever undertaken by a hospital chain in India.

The government hospitals generally adopt cost-free pricing strategies whereas the trust and private hospitals adopt subsidized or cost-based pricing strategies. Some of the private hospitals also adopt cost plus subsidy based pricing strategy. In the hospital services, the application of social advertising is found important for a multiplication in the number users of the services. Number of diseases is on the rise because of unsatisfactory living conditions and food habits. In the promotional strategies for hospitals, it is indispensable that slogans carrying creativity, sensitivity and acceptability travel through innovative vehicles effectively. For example, campaigns related to Family planning, smoking, AIDS, communicable diseases, early marriages and their harmful effects are conducted to reach the target audience.

Social marketing advocates messages for preventing the diseases, creating awareness and improving the food and living habits of general masses. When we consider hospital as a social institution, it cannot be freed from the responsibility of strengthening social advertising. Management of hospitals emphasizes the need for effective public relations coupled with the need for systematic marketing of the services.

The Public Relations Department in a hospital is supposed to be responsible for raising the effectiveness of advertising and publicity. It is generally believed that Indian hospitals have not been successful in promoting social advertising.

The task of hospitals would be simplified to a considerable extent, if they utilize public relations department for the purpose. The innovative advertisement slogans carrying messages to check birth rate, smoking, drinking of liquors, child marriage AIDS etc. would prevent multi-faceted diseases.

d. Healthcare service providers

Some of the hospitals give an overriding priority to the medical education, training and research whereas some other concentration their prime attention on medical treatment. In the hospital services, a suitable basis for segmenting the market is income. This would help hospital organizations in charging more from high and middle income groups. Charging equal to cost from the low income group and making available free services to the needy people.

While selecting a suitable site for the location of a hospital, the management should be careful of adequate transportation, communication, water supply and electrification facilities. In addition, it is also important that the selected site is free from the problems of industrial pollution and the plantation, gardening and drainage plans have received due attention. Disposal of waste from the hospitals is a serious civil and law and order problem in many parts of the country.

The financial involvement on the beautification of premises and surroundings is nominal but its impact on the hospital output is of high magnitude. Neat and clean, noise and dust free surroundings help speedy recovery of patients.

It is important to be aware of changing needs, changes in what people feel and even changes in fashions. With the AIDS scare, came the increasing insistence of disposable needles. With women's fashions veering towards pencil thinness, came the popularity of fitness clinics. Some of the Indian hospitals have been offering world-class services. Unfortunately due to poor information management system, the rural potential users fail in utilizing the services. The strengthening of advertising and publicity measures would ensure them the required information on the field of medical sciences.

With a change in people's attitude towards health, appearance and life, the health care market is ready to take off in the coming years. This offers new opportunities to medical professionals, pharmaceutical manufacturers, exercise equipments and accessories manufacturers, medical equipment manufacturers and Marketing Research and Advertising Agencies.

e. Changing Health care Regulations.

In the mid eighties the health care sector was recognized as an industry and it paved the way for the players to get long term funding. The reduction of the tariff duties on the medical equipments and technology has helped the industry in building its state-of-art high quality services.

Its main objective of "Health of all" by the year 2000 was approved in 1983 is the first step in this direction. Now the focus is not on medical care and but on comprehensive healthcare for the people at large. The union ministry of health and family welfare is instrumental and responsible for implementation of various programs of national importance like AIDS Awareness, prevention and control of major diseases like Polio, Mälaria, and Chickenpox which form the main plank of the development efforts.

India has an abundant stock and intellectual capital in healthcare sector and state-of-the art technologies in the various therapeutic services (cardiology, neurology, etc) are available. There is a need for qualified specialist nurses and paramedics and qualified hospital administrators. Many hospitals have been responding to this constraint by operating at below-norm nurse to patient ratios, stretching nursing staff working hours and even recruiting partly skilled personnel.

Indian market offers huge opportunity for the service providers to make an impact on the quality of Indian healthcare service. Opportunities exist for those who can supply hospitals with a high quality integrated range of products, supported by an extensive service network. The low end of the market (consumables and disposable equipment) is dominated by a fragmented group of local manufacturers. New private hospitals wish to procure high quality equipment. The more ambitious have developed their own production facilities taking advantage of low manufacturing costs and using India as a platform to supply the Asian market. New economic policy offers immense scope for imports now.

MARKETING OF LAND LINE AND MOBILE PHONE SERVICE

Telecommunication and mobile phone services are an essential component of economic infrastructure. The telecommunication organizations traditionally generate high level of profit but competition made them to adopt aggressive defensive strategies of bundling more services at cheap rates. The advent of latest telecommunication technologies like CDMA, find multi faced services offered by the various services providers like Hutch, BPL, BSNL and Bharti. A sound information system may help to innovating service offerings which include voice clarity, network coverage and other value added services. The telecommunications marketing provides the following benefits.

a) The development of the world class telecommunication industry which facilitates economic growth through trade and investment.

b) It helps to design a sound marketing mix for the value added customer services for various services providers in a global setting.

c) By helping the individuals and institutions, it activates the process of social transformation. It also provides useful services at highly competitive rate to the people at large.

d) It helps to develop a new perception of service of offering innovative, competitive and profit-oriental personal and professional services.

e) It provides the superior customer – satisfaction and analyses the user profile and usage rate of different customer groups.

The product mix

The telecommunications products include a number of services, such as the telephonic services, telegraphic services, e-mailing, fax services, internet services, Due to the arrival of latest communication technologies, services range of telecommunication have increased. The telecommunication organization provides a variety of product services to the different categories of individual and institutional users.

In the product mix, the telephonic services occupy a place of significance as most of the people use landline telephone. Now cellular customer base has reached 40 million and is registering a growth rate of 30%. The department through VSNL provides cordless and cellular phones. Massive surrendering of landline embarrassed the government. PSUs in turn compelled them to adopt very defensive and hostile policies. BSNL and cell one services add value to offer from PSUs in this sector. Airtel became the largest cellular service provider in terms of customer base and revenue.

The internet provides an opportunity to the users to communicate with various people in different parts of the world. It is useful to business and academic, exchanging information knowledge or entertainment. Today the Internet comes with MMS, sound and video capabilities.

They develop a package, which is widely used by the educational institution, the business organizations and the government administration.

E-mail and facsimile services, help different segments of users. Short Message Service (SMS) and Multimedia Message Service (MMS) allow the users to transmit both text and pictures and video through mobile phone.

Promotion mix of Telephone Services

The marketing mix of telecom services must have creative promotional measures. The promotion mix consists of aggregative advertising, publicity, sales promotion, personal selling, world-of-mouth promotion campaigns and telemarketing. Now Department of Telecommunication is also promoting a number of value added services with additional offers which includes additional 100 hrs free internet browsing.

a) Advertising.

The telecommunication organizations may advertise with the help of the print, cyber media, broadcast media and telecast media. The advertising staffs have to make the slogans, themes and appeal more creative to attract the target prospects. The organization can advertise through the most popular media, TV and broadcast media. It covers 90% of the population of the country. The telecast media is most effective media as the audio-visual exposure, stimulate the users and the prospects in a right fashion.

Word-of-mouth promotion depends upon the quality of services offered by the service generating organizations. The basic objective of the promotion is to inform acknowledge and persuade the prospects or users in such a way that they are transformed as the habitual users.

b) Publicity.

The telecom organizations may use publicity for the purpose of informing the prospects the salient features of innovative services. For effective publicity, the marketing professionals, sales people, public relation officers have to establish contact, especially with the large-sized customers or the trade representatives.

c) Sales Promotion

The telecommunication organization makes use of the sales promotion measures for promoting the innovative services, specially used by the institutional customers.

Price Mix

The pricing decisions' are significant to the development of an organization. In the context of telecommunication organization, different categories of users buy the services and therefore the telecommunication organizations is required to be more careful in setting the tariff structure.

The pricing decision depends upon the nature and types of services offered by the telecommunication organization. For the data services, facsimile services, internet services, we find a different slab and base.

The place mix

The place mix, ensure two important issues, first the promised services reach to the ultimate users and second the location points for the telecommunication services which foes not create any problems to the users. Behaviour of staff and abnormal delay in the processing of services create dissatisfaction. Private operators set up contact centres all over the centre for enabling them to meet their present and potential customers.

ENTERTAINMENT SERVICES

The entertainment facilities provide us an opportunity to get ourselves to work more, to earn more and to avail the modern amenities and facilities to lead a comfortable life. The liberalization of economy has opened the doors for the internationalization of fashion, culture and civilization. The development of communication technologies paves avenues for the development of entertainment facilities.

We see a lot of modern infrastructure digital movie theatres, palaces, open air-stages, stadiums and theatres, disco and pub, drama centres, music centers to entertain and enjoy. The development of entertainment services is essential as they generate profits and at the same time make the services affordable to the masses.

Significance

Shahrukh Khan has offered his public performance for rising money to help Tsunami victims. Indian Cricketers are playing cricket in January 2005 for the same social cause. Everything is made it possible only through the efficient network of event managers and entertainment marketing.

By entertainment marketing, we apply the marketing principles in the entertainment services. It is essential to design a marketing mix for the services which help the entertainment organizations in improving the quality of services for satisfying and benefiting the users. In the entertainment marketing we find a productive approach to fulfill the changing expectations of users. The entertainment marketing adopts the following principles:

a) Entertainment marketing involves managerial principles and their application
b) The entertainment organizations have to safeguard the social interests by creating a mass awareness
c) The principles of organization are applied to manage the business.
d) It develops marketing professionals on quality marketing inputs which inturn guarantee quality marketing outputs.

The entertainment marketing is essential due to following services

1. It provides satisfaction to users.

The entertainment services satisfy the users by meeting their changing needs and requirements and increasing level of expectations of the users.

2. It generates more profits

The marketing principles enable the entertainment organizations to succeed in marketing profits. The marketing activities increase the business in addition to the cost effectiveness which makes the ways for generating adequate profits.

3. It protects the social interests

Marketing is consumer oriented. The entertainment marketing protects the social interests. The entertainment organisations promote social advertising related to population control, drug addiction, afforestation, environment pollution, anti-smoking, AIDS, nutritional awareness, etc.

4. It reduces the cost

The entertainment marketing offers cost-effectiveness which in turn minimizes waste of marketing resources.

a) Entertainment Product Mix-quality standards

It contains the products of various entertainment programmes made available to the viewers. The different categories include pictures, places, open-air theatres, TV channels, disco halls, pubs, drama centres, dance centres, circus companies, theater companies and amusement centres. Most of them are

managed by the private sector. The entertainment houses like MAYAJAAL in Chennai provide fabulous and new entertainment experiences which will refresh the viewer's enjoyment and educate them in a right perspective.

There are more TV channels preparing TV serials, playing stories, the drama stories and others who provide healthy entertainment programmes. The product mix involves different properties which provide social awareness and healthy comedy items. The entertainment organisations should entertain by presenting items, to refresh them and provide them an opportunity to learn something positive.

b) Entertainment Promotion mix

In order to generate sustainable profits, the company must follow effective promotional measures. The quality programmes alone satisfy the users and this requires the formulation of a sound service tax. The entertainment organizations must involve creativity in the promotional measures. A sound promotion mix consists of advertising, sales promotion, publicity, personal selling, world-of mouth promotion.

1. Advertisement

It is a persuasive communication that enables the entertainment organizations to increase the mass awareness. All entertainment organizations advertise their product with the support of advertising professionals. The messages and themes will increase the effectiveness of advertisement. The entertainment organizations have to design a sound product profile in which different types of entertainment programmes are included.

The print media is popular among the entertainment organizations because today we have sophisticated print technology and quality print materials which would add attractions to advertisement.

The satisfied customer will spread the quality of entertainment programmes to their friends and relatives. Word of mouth publicity adds more value to the show.

2. Publicity

It is the most effective component of promotion as it is convenient to develop rapport with the media people. When the media people are influenced with the quality of entertainment programmes, they will publish an eye-catching coverage as a news item. The publicity campaigns include the lunch, dinner parties or get-

together functions in which the media people, opinion leaders and the popular artists are to be invited.

3. Sales promotion

IT includes the different measures to promote the business. There are some innovative tools of sales promotion: concessional services, distribution of coupons.

4. Personal selling

In personal selling, the fact, ability and skill of sales personnel play a key role. The sales people will increase the business of the entertainment organizations. Sometimes the agents, dealers and brokers are also involved in the promotion.

c) The price mix

The pricing decisions are always significant. For innovative and luxurious services like the open-air-theatres, dance or music centres, cricket-show, car-racing or horse-racing, the audience has to pay high prices for the services. The cinema theatres, the circus companies, movies and amusement parks have to design a pricing strategy that suits their target group. The entertainment organizations have to design a pricing strategy depending upon the paying capacity of the audience.

The pricing decisions will involve a number of factors, such as the cost of inputs , the slab of entertainment tax charged by the government, the social and economic status of the viewers. In India, the entertainment tax affects the pricing decisions of the entertainment organizations. A reasonable tax structure is essential to promote the entertainment organizations. The entertainment organizations have to produce programmes based on social, cultural and national problems.

The governments announce the tax concessions, provision of subsidized infrastructure facilities or essential inputs, multi-faced support in promoting the entertainment programme.

While selecting the location points, the entertainment organizations have to select a place which is easily accessible. The entertainment programmes require infrastructure facilities including uninterrupted power facilities. The programmes of breakdown or inadequate supply will reduce the quality of services. The entertainment centres that are meant for the children and women must be supported by the transportation and communication facilities.

The distribution representatives, agents and dealers must be given reasonable incentives to promote sale.

d) The place mix

There are two important issues in the place mix:

1) Method of offering the services and

(2) Selection of an appropriate place for the entertainment organization.

The marketing professionals engaged in this activity must be given proper training so that they know how to behave properly. The entertainment organization must bridge the gap between the services promised and services offered.